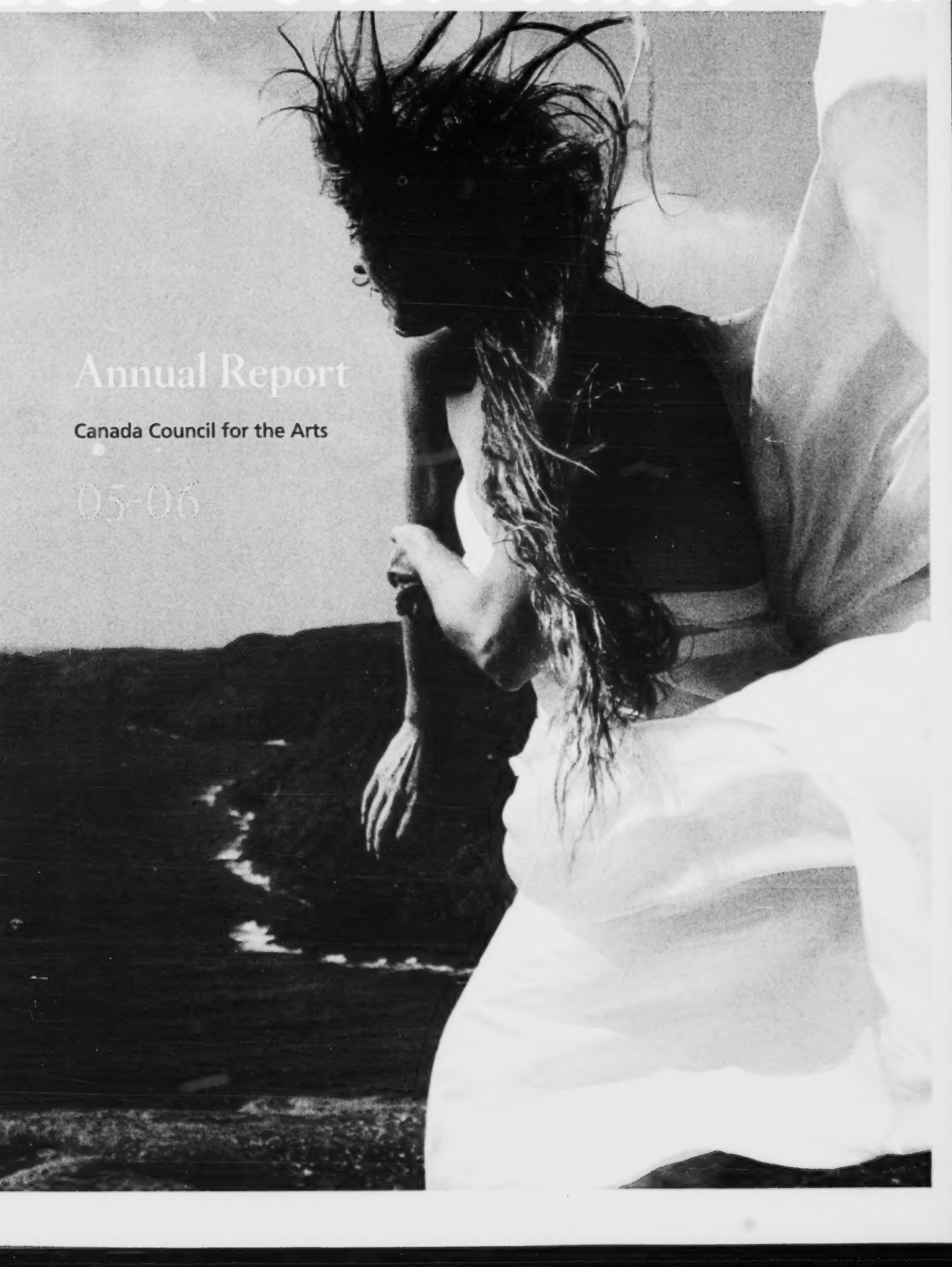

Annual Report

Canada Council for the Arts

05-06

Cover: Dancer Margie Gillis, in *a stone's poem*, at Cape Spear, the easternmost point in Newfoundland. Gillis was the first modern dancer to receive the Order of Canada and the first person to take modern dance to post-revolutionary China.

Photo : Cylla von Tiedemann

Annual Report 05/06

49th Annual Report

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Canada

Annual Report

Canada Council for the Arts

05/06

The *2005-06 Annual Report of the Canada Council for the Arts* and supplementary information on grants, awards, etc. are available at: www.canadacouncil.ca

Word on the Street Toronto, 2005. Photo courtesy WOTS / Jason Chow.

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Report of the Chair

The creation of the Canada Council for the Arts in 1957 was a bold and visionary decision, which sought to unleash the rich potential of Canadian creative talent and satisfy the hunger of Canadians for their own art and their own stories.

Looking back over 50 years, there is no doubt that sustained public investment in the arts has had a profound impact on our country, our communities and our lives. Today, the arts and culture contribute $40 billion to the Canadian economy and employ nearly 600,000 people. There are over 130,000 professional artists in Canada. Over 80% of Canadians participate in artistic or cultural activities. Canadian artists have captured the imagination of the world.

As we celebrate 50 years of achievement in the arts, it's important not only that we take stock but also that we look ahead. We can't know exactly what the future will be, but we do know that we are living through tumultuous change – in the make-up of our population, growing urbanization, technological change, consumer behaviour and leisure patterns, and global transformations. And the arts, as an integral part of society, are changing as well.

The Canada Council and the Canadian arts community as a whole must examine their place in this new environment. We must keep up with changing artistic practices and cultural developments. We need to anticipate the effects of larger developments in society. We need to take account of the impact of the market on arts and culture. And we need to reach out to involve Canadians more fully in our country's artistic and creative life, to bring to them the tremendous joy, inspiration and fulfillment that is found in our performing arts, our literature and all our artistic creations.

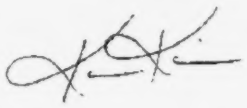
The arts are having an enormous influence on our cities and communities – as engines of growth and magnets for creativity. They help fashion innovative, healthy, diverse and humane places to live. We know that cities must continue to nurture and celebrate creativity in all its dimensions if they are to be economic leaders in the world of the future. Cultural development is a crucial part of the creative economy that will keep Canada in the top tier internationally.

All this is having the added, and beneficial, effect of enhancing the public's involvement. The arts are no longer a concern of a particular sector of society; they are the concern of each and every citizen. As a consequence, the voice for the arts is not only the voice of the arts community. It is the voice of community leaders, of business leaders, of youth, of institutions of learning, of our multitude of cultures, and of policy-makers at all levels.

The Council, and the wider arts community, have been encouraged by this broader view of the arts – by planners, municipal leaders, citizens and governments at all levels: that sustained public investment in the arts benefits communities and is for the greater good of society as a whole.

The arts enrich our lives, promote learning, encourage multicultural interaction, create strong communities, bring us together, and promote us to the world. The Canada Council will continue to make a case for the arts, emphasizing the enormous value that they bring to the lives of Canadians.

Finally, may I take this opportunity to thank my fellow board members for their very dedicated and imaginative work on behalf of Canada's artistic community and on behalf of Canadians. A special word of praise is also reserved for our former Director, John Hobday, who guided the Council for three years and helped give it renewed strength and relevance. His very pertinent reflections on the past and future can be seen elsewhere in this annual report.



Karen Kain, C.C.
Chair
Canada Council for the Arts

Report of the Director

It has been a pleasure for me to serve as Interim Director of the Canada Council for the past several months, and to have played a part in the ongoing commitment of the Council to the artistic and cultural life of Canada.

In its 2005 review of the governance framework for Canada's Crown corporations, the Government called for more extensive disclosure of financial and non-financial information. In response to this call for greater accountability, the Canada Council has revamped the format of its Annual Report for 2005-06.

The Report contains, in addition to the financial statements of the corporation:

- a "corporate scorecard" on its performance to date, measured against the objectives and strategies outlined in the Council's corporate plan,
- enhanced discussion on financial performance, and
- a report on the Council's governance practices.

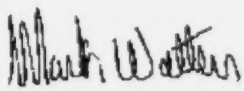
The Council will continue to introduce improvements to its reporting on non-financial information in coming years.

In 2005-06, the Council continued to make improvements to its internal management practices. We highlighted accountability through a series of measures, including an ongoing internal audit process, the implementation of a new and more comprehensive procurement policy, a redesign to improve public accessibility to information on the Council's web site, and more detailed reporting on the Council's activities in this Report. We enhanced organizational effectiveness by making application processes more accessible and user-friendly – through introduction of the Go! Grants on Line electronic application as well as a plain-language review of application forms and information sheets.

In 2005-06, the Council awarded 5,780 grants with a total value of $120.5 million to artists and arts organizations. It awarded an additional $2.6 million in prizes and fellowships from the annual returns on endowments that it administers. The Public Lending Right Commission, which operates under the aegis of the Council, made 14,972 payments to Canadian writers totaling $9 million. Altogether, the Council distributed $132.1 million in grants, payments and prizes during the course of the fiscal year.

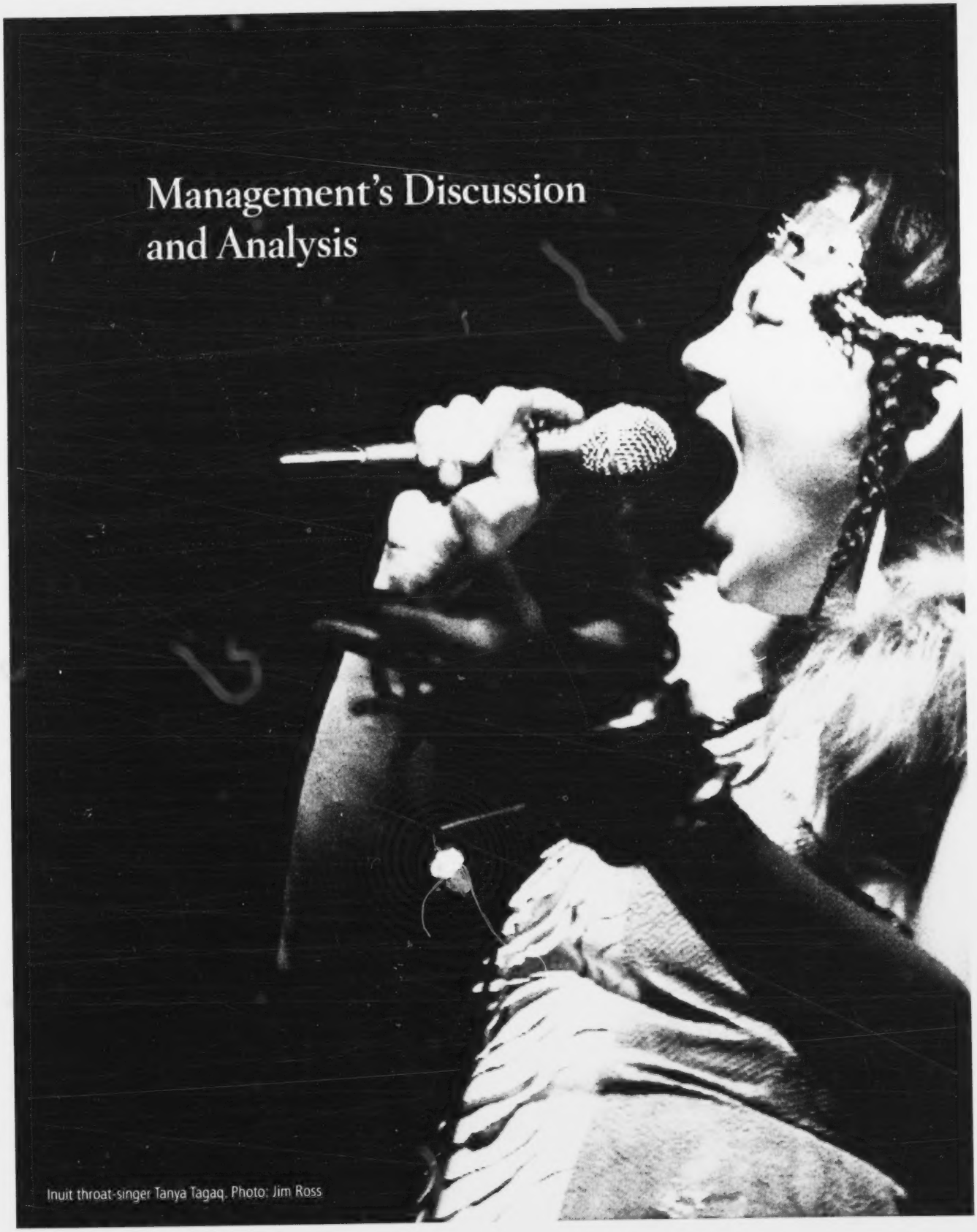
As we approach our 50th anniversary year, I am confident that the Council is going from strength to strength in its mission of sustaining excellence in the arts in Canada and bringing a wide range of exceptional creative work to the attention of a growing public at home and abroad. We will continue to adapt to a rapidly-changing arts and culture environment and to the many challenges ahead.

In reviewing the year's performance, I would like especially to thank John Hobday, the former Director of the Council, for his commitment to the well-being of Canada's arts community and to congratulate him on his many accomplishments.



Mark G. Watters, C.A.
Interim Director
Canada Council for the Arts

Management's Discussion and Analysis



Inuit throat-singer Tanya Tagaq. Photo: Jim Ross

The Operating Environment

Cultural policy is being re-imagined and transformed – by governments, the arts community, arts councils (including, principally, the Canada Council for the Arts), cultural advocates, policy planners and communities.

The arts are increasingly being viewed as part of culture broadly defined, and together the arts and culture are seen, not as separate and isolated activities, but as integral to the health and vitality of society.

From its former emphasis on artistic goods produced by creators and then presented to audiences, policy thinking is moving toward an emphasis on linkages between culture and citizens, and a vision of culture as a continuous means of building and revitalizing societies – and of helping people live together. This thinking has particular pertinence for Canada, given the enormity of its geography and the multiple diversities – linguistic, regional, cultural, ethnic and racial – of a relatively small population.

In emerging policy thinking, culture includes the traditional components of the professional arts, heritage and cultural industries, but is not limited to them. It also encompasses all the artistic activities in which people engage (amateur, recreational, informal and community-based), popular and commercial culture, education, design, the humanities, the sciences, the culture of "the street," as well as society's underlying social, moral and political norms and ideals.

At its broadest, the new vision identifies arts and culture as basic building blocks for society's innovation and creativity. It sees responsibility for artistic and cultural vitality as belonging to everyone in society.

The new vision is a shift in focus – from an artist orientation to a citizen orientation; from building the professional infrastructure for culture, to seeing culture as a building block for society; from the supply side of culture to the demand side; from the personal benefits each individual gets from cultural participation to the contribution culture makes to livable communities.

The changes in thinking about cultural policy respond to a number of related developments in society itself.

Demographic change within cities and nations

As our population has become more diverse culturally, ethnically and racially, there is a growing awareness among Canadians and international observers that our societal model is distinctive and that it rests on diversity and mutual respect.

Building on our two official languages, our regional distinctiveness, rich Aboriginal cultures, and the arrival of people from all parts of the world, Canada is well-placed to foster a society of inclusion, which values accommodation and understanding. Our heightened awareness of our multiple identities focuses attention on the close relationship between culture and the underlying values of the country as a whole.

Open to the world

In the new digital age, people can communicate instantly across geographic barriers. Much information and cultural material are readily accessible. Canadians from diverse cultural backgrounds connect Canada to the world and bring the world to us. This heritage reinforces the country's openness to the world and gives us a vast pool of creative ideas on which to draw.

Through travel and exchanges of various kinds, including among young people, Canadians are acquiring a more sophisticated knowledge and critical appreciation of international cultural practices. This heightens our awareness of the relationship between culture and society.

The impact of technology

Technological developments, especially the Internet, are profoundly changing society, and having a dramatic impact on the ways in which art is created and the ways in which people access and experience art.

While live performances and exhibitions are still primary methods for the presentation of art, technology is allowing direct and often free access to art. Though the full consequences of these developments are not yet clear, we know that they will challenge our traditional concepts of copyright and intellectual property and may bypass the traditional "gatekeepers" that provide access to art.

Crossing boundaries

In an era where there is a growing recognition of the value of new linkages and new relationships, the arts community increasingly recognizes that:

- while the co-existence of federal, provincial and municipal arts funders is a strength of the Canadian cultural system, funders need to work together to maximize their impact on the long-term viability of the arts; and
- at a time when cross- and inter-disciplinary practices are growing, when distinctions between "commercial" and "non-commercial" art work are disappearing, and professional artists are exploring new relationships with communities, funding bodies must take account of this integration.

Within organizations too, there is an awareness of the need to overcome "silos" and move toward better integration, whether through structures, common strategies or new relationships. This has relevance for the entire cultural sector.

New demands for accountability in the use of public funds

In Canada and across the industrialized world, governments are insisting on greater accountability for the expenditure of public funds and more precise measurements of what those expenditures achieve. Arts councils and cultural departments are focusing on how their investments serve the greater good.

The benefits of the arts and culture

It is impossible to quantify fully the benefits of the arts to individuals and societies. A great deal of research is under way in Canada, the U.S. and elsewhere to develop solid qualitative and quantitative measures of the social effects. While there are still gaps in our knowledge, research is gradually providing some certainty about a growing number of positive impacts. These indicate that the arts:

- Stimulate creativity and innovation,
- Build healthy, dynamic and attractive communities,
- Enhance civic engagement,
- Contribute to livable cities and communities, and to economic development,
- Develop understanding of differences and deepen inter-cultural respect, and
- Project an image of Canada as a creative, vibrant and cosmopolitan nation around the world.

The arts are at the core of the creative life of Canada. Artists are the creators and content producers without whom there is no culture and no art. They are the source of continuous renewal and revitalization. The Canada Council continues to monitor and discuss these issues with its client groups, other stakeholders and partners.

Objectives, Strategies and Performance

The core mandate of the Canada Council for the Arts is set out in Section 8 of *The Canada Council Act:* "The objects of the Council are to foster and promote the study and enjoyment of, and the production of works in, the arts."

Its public policy role stems directly from its mandate to:

- Support the creation and production of works of merit and foster excellence across a broad range of the arts,
- Ensure that the work of Canadian artists and arts organizations is accessible to Canadian and international audiences,
- Promote public awareness of the arts and of the benefits that the arts bring to Canadian citizens and society as a whole,
- Provide all levels of government, and others as the need arises, with expert advice and recommendations on public policy issues that impact artists and arts organizations.

As a result, the Council's Corporate Plan for 2005-06 to 2007-08 sets out three operational goals and associated strategies for the planning period. These goals and strategies are reviewed each year and updated as appropriate to ensure that they continue to reflect the Council's mandate and that they are still relevant in the context of the current operating environment and the resources available to the Council. This Annual Report presents the progress the Canada Council for the Arts has made against its operational goals and strategies.

The three operational goals are to:

I. Refocus support for creation, production and dissemination of the arts so as to:

   a. Help professional artists and arts organizations address the current challenges of creation and production, and

   b. Assist artists and arts organizations in the dissemination of their work and the development of closer connections with audiences and the public;

II. Increase capacity in the funding infrastructure of the arts (contributing, by example and advice, to the development of a strong network of public and private support for the arts across the country);

III. Foster public knowledge and appreciation of Canadian artistic achievement.

The Council's performance during 2005-06 against the above three operational goals and their associated strategies is reported on the Corporate Scorecard. Representative highlights of performance outcomes are described in the pages that follow.

The Corporate Scorecard, although certainly not an exhaustive list of what the Council is involved in, indicates that progress against the majority of key performance indicators proceeded as planned.

The Corporate Scorecard

MANDATE: Foster and promote the study and enjoyment of, and the production of works in, the arts

Operational Goals	Ongoing activities	Planned supporting actions	Performance Indicators
Artists and Arts Organizations			
Refocus support for creation, production and dissemination of the arts: • Help professional artists and arts organizations address the current challenges of creation and production; • Assist artists and arts organizations in the dissemination of their work and the development of closer connections with audiences and the public.	**Artists** Support the career development of creative artists.	Implement a more focused and consistent approach to grants for artists by providing a range of support that targets key elements of an artist's career (research, creation, production, career and audience development). Give artists flexible support that allows them to engage in a long-term cycle of creation and production outside the confines of an established organization.	After extensive nation-wide consultation, visual arts granting programs were redesigned to support artists at key career points. The revised programs were implemented and favorably received. Long-term project grants for individual artists were introduced in all performing arts disciplines and in visual arts to allow artists to produce work of scale requiring an extensive development period.
	Organizations Promote the creative vitality and administrative sustainability of professional arts organizations.	In all operating grant programs, strengthen the assessment criteria with respect to governance and administration as they apply to organizations applying for grants. Provide support in all disciplines to allow organizations receiving operating grants to access the services of a consultant in order to identify solutions to governance and management challenges. (This program, Flying Squad, was introduced in theatre in 1998-99.)	Meetings were held to introduce the new criteria to clients (meetings were continuing at year-end). Revised criteria were introduced in dance and theatre competitions. In other disciplines, they will be introduced at the next multi-year grant competition deadline. Flying Squad programs were extended to all disciplines. In 2005-06, some 250 organizations received almost $1.7 million.
	Aboriginal arts Provide a supportive base for the development of Aboriginal arts. **Culturally diverse arts** Provide a supportive base for the development of culturally diverse arts.	Provide multi-year support to enhance administrative and governance stability in culturally diverse and Aboriginal arts organizations.	A Flying Eagle program was introduced in Aboriginal programs (similar to Flying Squad). With supplementary funding from the Department of Canadian Heritage, the Capacity Building program was extended for culturally diverse arts organizations and introduced for Aboriginal arts organizations.

Operational Goals	Ongoing activities	Planned supporting actions	Performance Indicators
Artists and Arts Organizations (cont'd)			
	International promotion Promote international recognition of Canadian accomplishment in the arts.	Provide enhanced opportunities for international dissemination in all arts disciplines and take measures to sustain the network of professionals (presenters, managers, agents, etc.) that supports this activity.	The Council began negotiating a new Memorandum of Understanding with the Department of Foreign Affairs and International Trade. Fifteen performing arts agents (Stages: Canada on Tour) attended major international arts marketing events in New York, Newcastle, Adelaide, Singapore and Tokyo. The outcome was positive and planning began in March 2006 for another season.
	National promotion Support regional and national touring and the development of new audiences.	Strengthen the professional infrastructure of dissemination and presentation to encourage regional and national touring.	On the Road, a series of touring workshops for professional world, roots and folk musicians who had not toured outside their home market, was held in Saskatoon, Winnipeg, Toronto, Burnaby, Montreal, Halifax and Happy Valley/Goose Bay. The workshops brought together artists, agents, managers and seasoned music professionals and imparted fundamental skills and contacts for increasing touring opportunities. Demand was strong. The results were tangible.

Operational Goals	Ongoing activities	Planned supporting actions	Performance Indicators
Funding Infrastructure			
Increase capacity in the funding infrastructure of the arts. Contribute, by example and advice, to the development across the country of a strong network of public and private support for the arts.	**Financial resources** Communicate to the federal government the nature and extent of needs and investment opportunities.	Alert government to the urgent need for significant additional funding to address the challenges artists and organizations are facing.	The Council consulted extensively with the Department of Canadian Heritage, developed plans for the strategic use of additional funding, and briefed the Minister and Senior officials.
	Research Provide a sound knowledge base for the development of Council programs and the information of other funders and the public.	Reorganize and redesign the Council's web site to make reference and communication materials more user-friendly. Enhance the accessibility and efficiency of client services.	The web site was redesigned and new reference material was made accessible, including a searchable data base of all the Council's current and former grant recipients. The Council launched its Go! Grants on Line automated grant application service (beginning with travel grants) and carried out a plain-language review of Council application forms to promote accessibility and ease of comprehension of materials.
	Federal network Collaborate with federal departments and other federal agencies in the development and effective delivery of programs. **Other networks** Develop networks and partnerships with other levels of government and with the private and corporate sector to promote the well-being of artists and the furtherance of the Council's objectives.	Promote knowledge-sharing and the development of expertise among federal, provincial/ territorial, municipal and corporate arts funders.	The Council established a virtual secretariat for Canadian Public Arts Funders (CPAF), an association of federal, provincial and territorial arts funders. CPAF is developing a common data base and organized professional development workshops for arts officers and administrators.

Operational Goals	Ongoing activities	Planned supporting actions	Performance Indicators
Funding Infrastructure (cont'd)			
	Accountability Practice high standards of financial and human resource management, accountability and transparency.	Act on recommendations made by Deloitte & Touche in the course of a multi-year internal audit.	Following its audit of the peer assessment process in 2004, Deloitte & Touche reported on procurement and contracting in April 2005. The Council implemented the report's recommendations by developing a new comprehensive procurement policy, which came into effect in December 2005.
		Maintain and upgrade governance practices.	In December 2005, board members and senior executives participated in a one-day session on governance practices in Crown corporations. The session highlighted the responsibilities of public office holders. The Council offers all new board members orientation sessions on board governance and offers refreshers as needed.
		Manage risk.	The Council adopted a business continuity plan. It reviewed the "Statement of Investment Policies and Goals."
Canadian Public			
Foster public knowledge and appreciation of Canadian artistic achievement.	**Promotion and celebration** Celebrate the richness and variety of Canadian artistic achievement.	Plan a series of Council-supported messages, activities and events highlighting the importance of the arts in the context of the Council's 50th anniversary in 2007.	Planning was completed and activities were being developed at year-end. Prize events were targeted as important aspects of celebration.

Highlights of performance: outcomes in the arts

Given the extent of the Council's granting and service activities, many specific outcomes may be identified in every region of the country. In the following section, a statistical summary is followed by a sampling of representative outcomes to which the Council's support for artists and arts organizations has given rise. It provides a "snapshot" of the Council's many activities.

Artists

Of over 137,000 artists in Canada, 70% work in the larger cities and significant concentrations work in a number of small and rural municipalities across the country. The number of professional artists in Canada grew 29% between 1991 and 2001. The rate of growth of the overall labour force was 10% for the same period. The number of artists directly receiving Council funding increased by 55% between 1996-97 and 2005-06, from 1,251 to 1,935. Many more artists benefited from Council funding indirectly through grants to arts organizations that engaged their services. Through the Public Lending Right Commission, Canadian writers, translators and illustrators received almost 15,000 payments totaling $9 million for the use of their books in public libraries.

- British Columbia writer Patrick Lane received a $20,000 Council grant in 2005 to complete his memoir, *There is a Season*. The book received excellent reviews, won the 2005 British Columbia Award for Non-Fiction ($25,000) and was nominated for both the Charles Taylor Award and a Governor General's Literary Award. It was also published in the United States under the title, *What the Stones Remember*.

Arts organizations

Recent indications of improvement in the sustainability of professional arts organizations include 11% growth in the revenues of performing arts organizations between 2001 and 2003 (with growth in all revenue categories — earned, public and private), and a 4% increase in the number of performances (9% in performances targeted to youth). The number of organizations receiving Council funding increased by 22% between 1996-97 and 2005-06 (from 1,769 to 2,163). Grants to organizations in 2005-06 totalled $102.3 million.

- The Samuel and Saidye Bronfman Family Foundation donated $1 million to the Canada Council in 2006 to endow the John Hobday Awards in Arts Management.

- The October 2005 issue of Europe's leading dance magazine, *ballet-tanz*, reported favourably on the Council's research, policies and programs: "When visiting the Canada Council for the Arts, you see how programs are changed and how new pilot programs are launched as soon as requirements, themes, research fields and the understanding of production methods change. I can only take off my hat to them...The fact is that resources and specialized competence play the decisive role in Canada."

- In 2005-06, *Filumena* (music by John Estacio, libretto by John Murrell) became the most performed Canadian opera in history. Premiered in Calgary in February 2003, it was remounted in Banff in July 2003, in Ottawa in April 2005 and in Edmonton in November 2005. It was presented on both CBC radio and CBC television, and it won a Special Jury Award at the 2006 Alberta Film and Television Awards. Council funding contributed to its success through many avenues, including production support and support for the careers of the majority of the artists involved.

Aboriginal arts

The Aboriginal population of Canada increased 22% between 1996 and 2001, to 977,000, or 3.3% of the total population. The non-Aboriginal population increased 3.4% in the same period. There are 3,100 Aboriginal artists in Canada (about 2.4% of all artists). Of Canadians who have attended a live performance, arts event or exhibit, 29% attended at least one from Aboriginal cultures and traditions. In 2005-06 the Council's 13 dedicated Aboriginal programs received in total more than 600 applications from Aboriginal artists and arts organizations. Many more in all arts disciplines applied for grants through the Council's regular programs. Some 200 different Aboriginal arts organizations have received Canada Council funding in recent years. The Council's Capacity Building program for Aboriginal arts organizations awarded a total of almost $450,000 to 15 arts organizations in 2005-06, its first year of operations.

- With Council support, the Qaggiq Theatre Company of Iqaluit, Nunavut produced *Nuliajuk*. Artistic Director Sylvia Cloutier and writer Jonathon Dewar worked with local artists, elders and youth to develop this multidisciplinary theatre piece integrat-

ing traditional Inuit drumming, throat-singing, dance and visual arts along with Western approaches to theatre, contemporary dance and video. Based on an oral Inuit legend, this production is a commentary on the radical changes to the Inuit way of life brought about by the growing influence of the South. The production was performed in English and Inuktitut.

Culturally diverse arts

Almost 4 million Canadians (13.4% of the population) identify themselves as members of visible minorities. This population is growing at six times the rate of the total population. About 12,000 artists (or 9% of all Canadian artists) belong to visible minorities, and 90% of them live in large urban centres. The number of visible minority artists grew 74% between 1991 and 2001, at almost 2.5 times the rate (29%) of artists overall. Of the Canadians who have attended a live performance, arts event or exhibit, 28% have attended one featuring diverse cultures or traditions. Over 200 culturally diverse arts organizations have received Canada Council funding in recent years, 73 of them through the Capacity Building program. In 2005 the Council signed a Memorandum of Understanding with the Department of Canadian Heritage to increase Capacity Building support to culturally diverse arts organizations by an additional $500,000 a year for three years. The program awarded a total of more than $2 million to 71 organizations in 2005-06.

- In 2005-06, the range of culturally diverse music funded continued to expand. With her first-ever Council grant, Haitian musical icon Emeline Michel began researching the sources of the twoubadou (troubadour) current in Haitian music in an effort to capture and document a fast-disappearing oral tradition and give it new life in contemporary composition.

- Trinidadian-Canadian percussionist Mark Mosca and composer/arranger Keith Dindayal explored steel drum music with respect to its timbre, tone, envelope and rhythmic and harmonic conventions in order to expand its usage in contemporary music. This was the first Council grant specifically targeted to steel drum music.

International dissemination

In 2005-06, Council support for international activities totaled over $10 million, of which $2,754,389 was through dedicated programs (e.g., International Translation grants) and $7,480,514 was through non-dedicated programs.

- Artists, agents and distributors formed a strong Canadian presence at the following international arts fairs and other marketing events:

  - Writing and Publishing: Frankfurt Book Fair, Germany; Belgrade Book Fair, Serbia and Montenegro;

  - Visual Arts: ARCO Art Fair in Madrid, Spain; Art Basel in Switzerland;

  - Media Arts: Sundance Film Festival, USA; International Rotterdam Film Festival, Netherlands; Transmediale, Berlin, Germany; and Clermont-Ferrand Short Film Market, France;

- Montreal's Marie Chouinard continued to headline major international festivals. *bODY_rEMIX/gOLDBERG_vARIATIONS* was performed at the Venice Biennale and other European venues in 2005, attracted cash investments of over $160,000 from seven co-producers, of whom five were international. Vienna's ImPulsTanz and Lisbon's Gulbenkian Foundation confirmed their interest in a 2006 tour.

- Victoria poet Linda Rogers was named Cardiff International Poet of the Year at the Academi's BayLit Festival 2005 in Cardiff, Wales. A Council travel grant enabled her to attend the festival to receive her prize. Ms. Rogers also writes young adult fiction and has received creative writing grants from the Council.

National dissemination

Canada Council grants to artists and arts organizations were delivered into more than 500 cities and communities across Canada in 2005-06.

- In "From Bronze to Gold: A Blueprint for Canadian Leadership in a Transforming World" (February 2006), the Canadian Council of Chief Executives noted growing evidence that "artistic and cultural creativity plays an important role in transforming communities into destinations of choice for skilled people in any occupation."

- In 2005-06, with Council funding, 233 organizations arranged almost 2,500 author readings in venues such as schools and libraries. The readings reached an estimated audience of more than 137,000 children and adults.

- Statistics Canada identified festivals as the fastest growing segment of the culture sector. The Council funded 128 festivals in a wide variety of arts disciplines in 2005-06. Through these festivals, much new work found receptive audiences. For example, Nadja Drost's *Between Midnight and the Rooster's Crow* won the award for Exceptional Mid-Length Documentary at the 2005 Hot Docs International Documentary Film Festival in Toronto. The film was also one of the Top Ten Audience Picks. The Council, a co-sponsor of the Hot Doc Awards, also funded the completion of this film through its Emerging Artists program.

- First Nations communities, inner city housing projects, schools, parks, bush country, grasslands and city streets are among the venues in which Artist and Community Collaboration Fund (ACCF) projects have taken shape since the Council established the program four years ago. In 2005-06, 77 projects in communities from Charlottetown to Port Moody to Inukjuak received grants totaling $1,011,528.

Financial Overview

BALANCE SHEET HIGHLIGHTS

Current Assets

The current assets of the Council as at March 31, 2006 and March 31, 2005 are as follows:

	2006	2005
	(in thousands of dollars)	
Cash equivalents	$ 4,940	$ 1,614
Accrued investment income	1,847	3,917
Accounts receivable	954	4,793
Prepaid expenses	217	211
Derivative related amounts	3	555
	$ 7,961	$ 11,090

The combined balance of current assets as at March 31, 2006 was $7.961 million, a decrease of $3.129 million from the amount of $11.090 million reported at March 31, 2005. Cash equivalents, which are invested in a short-term pooled fund and managed by a professional money manager, increased from $1.614 million at March 31, 2005 to $4.940 million at March 31, 2006. These funds earned a return of 2.92% in 2006 and had an average term to maturity of 50 days (2005 - 2.63% return, and average term to maturity of 37 days). Accrued investment income decreased by $2.070 million as a result of a change in investment vehicle during the year. Previously a portion of the Council's portfolio was invested in an unhedged EAFE exposed fund, and currency forwards were entered into to hedge the exposure, resulting in an accrual for foreign exchange gains in the comparable period in 2005. Since the transition to a new fund, the foreign exchange component is included within the fund and is not accrued separately. Accounts receivable also decreased by $3.839 million from the previous year. This decrease is mostly explainable by the inclusion of a parliamentary appropriation receivable of $3.474 million in the 2005 balance.

Investments

There was an increase of $24.025 million in the carrying value of investments during the year. The cost at March 31, 2006 was $298.04 million. Re-invested distributions of income as well as re-invested capital gains account for this increase. The Council invests in pooled funds, managed by professional money managers. As at March 31, 2006, 74.5% of the funds were invested in the World Equity Markets, 18.6% in the Canadian Bond Market, 2.5% in Hedge Funds, 3.8% in Income Trusts and 0.6% in Canadian Real Estate. The Council is progressing towards a portfolio which replicates its benchmarks in these asset classes, as stipulated in its Investment Policy. During the course of the year, additional investments will be made in real estate and hedge funds. These allocations will grow to 4% each over the course of the next few years. Funding for these new investments will come from the current World Equity allocation. The portfolio has a growth bias and an income component due to the Council's reliance on earned income in its operating budget. The Council is assisted by an Investment Committee in managing these assets. The Committee is composed of external professionals with experience in the investment of these asset classes. Board members of the Council also serve on the Investment Committee.

Works of Art and Musical Instruments

Works of art and musical instruments appear on the Council's balance sheet at a book value of $19.591 million as at March 31, 2006, an increase of $492 thousand over the previous year. During the year, the Council received a donation of a significant work by Transport Canada and Public Works and Government Services Canada under the Government's disposal of surplus assets policy. The donation was recorded at its appraised value of $598 thousand, in accordance with our accounting policies. Works with a book value of $128 thousand were also divested during the year.

Other Capital Assets

Other capital assets include office equipment and leasehold improvements. The net book value of these has decreased by $76 thousand over the course of the year. Acquisitions of office equipment have been offset by amortization expenses during the year.

Current Liabilities

The current liabilities of the Council as at March 31, 2006 and March 31, 2005 are as follows:

	2006	2005
	(in thousands of dollars)	
Bank indebtedness	$ 1,528	$ 1,782
Grants payable	20,327	21,324
Accounts payable and accrued liabilities	2,368	2,517
Deferred parliamentary appropriations	1,984	3,289
Derivative related amounts	42	526
	$ 26,249	$ 29,438

As at March 31, 2006, the combined balance of current liabilities was $26.249 million, a decrease of $3.189 from the previous year. Bank indebtedness represents outstanding cheques that have been included in expenses for the year, but have yet to clear the Council's bank. Grants payable have also been included in the Council's expenses for the year but have not been disbursed to recipients. Accounts payable and accrued liabilities are incidental to the Council's operations and approximate the amount for the previous year. Deferred parliamentary appropriations represent appropriations received pertaining to activities of a subsequent year and as such will be recognized in income in the year in which related expenses are incurred.

Other Liabilities

Other liabilities include the following three amounts for 2006 and 2005:

	2006	2005
	(in thousands of dollars)	
Deferred revenues	$ 2,487	$ 2,553
Employee future benefits	1,543	1,424
Deffered contributions	3,675	992
	$ 7,705	$ 4,969

Deferred revenues pertain to Art Bank rental fees received in advance of their due date and to the unamortized portion of the lease inducement received from the Council's landlord, Oxford Properties. Employee future benefits are the result of the severance entitlements of the Council's employees. These typically increase with each additional year of service rendered by the workforce. Deferred contributions represent income earned by endowments which are restricted on their use. This account has increased significantly in 2006 as a result of the investment returns earned on these funds over the course of the past year.

Private Endowments

Private endowments have increased by $2.064 million over the course of the year to $71.539 million at March 31, 2006. This figure represents the cumulative capital contributions and appropriated surpluses to each of the endowed funds at year end. The Killam Endowment remained the single largest endowment at year end.

Equity

Equity is composed of the following four elements for the years ended March 21, 2006 and March 31, 2005:

	2006	2005
	(in thousands of dollars)	
Endowment – original contribution	$ 50,000	$ 50,000
Surplus related to the endowment	142,245	121,245
Surplus – invested in works of art and musical instruments	19,591	19,099
Unrestricted surplus	12,587	14,378
	$ 224,423	$ 204,722

The amount of $50 million continues to be recognized as the original contribution to the endowment when the Council was established in 1957. Surplus related to the endowment has increased by $21 million over the course of the year as a result of favorable investment returns. According to Council policy, when investment returns are greater in a year than those budgeted, the excess is transferred to the surplus related to the endowment. The total of $142.245 million at March 31, 2006 represents the sum of excess investment returns since the establishment of the Council. The Council also recognizes as a component of equity an amount which equals its works of art and musical instruments. The balance of the equity account is represented by unrestricted surplus and includes unspent grant budgets of previous years and a reserve to allow for the smooth operation of the Council.

Restatement of 2005 Results

The Council restated its 2005 results presented for comparative purposes in both the financial overview and its financial statements. The restatement was required due to a misinterpretation of Canadian Generally Accepted Accounting Principles (GAAP) in 2005. Investments were classified as monetary items in 2005, whereas they should have continued to be classified as non-monetary items. As a result, the carrying value of investments was modified from historical exchange rates at acquisition to one based on prevailing foreign exchange rates at the balance sheet date. The Council has corrected this error in the comparative period and disclosed the impact of its correction in Note 17 to financial statements. The only impact to the results for 2006 are to the opening balance of unrestricted surplus.

STATEMENT OF OPERATIONS HIGHLIGHTS

Parliamentary Appropriation

The Council's appropriation was $151.683 million for the year ended March 31, 2006. While this amount was $710 thousand greater than budget, it was $428 thousand less than the previous year. This situation arose as a result of the cancellation of supplementary estimates for 2005-06. The Council was expecting $1.651 million in these supplementary estimates.

Net Investment Income

The Council earned net investment income of $26.151 million in 2006. This figure is $22.762 million greater than the previous year and $16.090 million greater than budget for the year ended March 31, 2006. The financial markets in which the Council invests are quite diversified and delivered exceptional returns over the past year. The Council earned 16.8% on its portfolio for the one-year period. Net gains on disposals of investments represented the largest portion of investment revenue for the year. During the year Council crystallized capital gains as a result of portfolio transitions, moving to a Canadian dollar-based EAFE pooled fund, moving to a more diversified hedge fund, and active management of the Income Trust portfolio. Net gains on foreign currency were attributable to a strengthening in the value of the Canadian dollar and the Council's hedging program. Dividend and Interest income were also important items in net investment income, increasing by $2.708 million over the amount reported for 2005.

Council's budget for investment returns is based on a formula which uses a three-year rolling average of market value for the portfolio, combined with a prescribed draw-down rate of up to 4 ½% of the average market value.

In years such as this one, where returns exceed expectations, returns are re-capitalized in the portfolio. This proactive approach helps bring additional stability and long-term returns for the Council. In years where market returns are not as favourable as those expected, the policy provides for the utilization of previous years' returns (represented by surplus related to the Endowment, a component of equity on the balance sheet), thus ensuring stability for the beneficiaries of the Council's funding.

Net Art Bank Revenue

Net Art Bank revenue is much higher than anticipated for the year and well over last year's reported figure of $76 thousand due principally to the recognition in revenue of a significant donation of nine works of art. These works were appraised at $598 thousand; this figure is included in revenue for the year ended March 31, 2006 in accordance with our revenue recognition accounting policy.

Other Revenue

Other revenue includes the cancellation of grants awarded in previous years as well as other sources of revenue such as boardroom rental fees, donations, tax rebates and others. These revenues can fluctuate from year to year, and have decreased by $517 thousand over the past year.

Program Expenses

Program expenses include the following three components:

	2006	2005
	(in thousands of dollars)	
Grants	$ 132,086	$ 132,328
Services	4,571	3,915
Administration	8,872	9,121
	$ 145,529	$ 145,364

Program expenses account for almost 91% of Council's total expenses in 2006, and a comparable figure for 2005. They include three components. Grants to Artists and Arts Organizations represent more than 90% of the total program expenses. Services are forms of indirect support provided to the arts community, and include such items as workshops, adjudication of programs and advisory committees. Administration costs relate to the direct cost of operating Council's programs; these were $185 thousand under budget for the past year.

Canadian Commission for UNESCO

The Canada Council is the agency responsible for the Canadian Commission for UNESCO. The Council expended a net amount of $2.108 million in 2006, compared to $1.946 expended the previous year. These costs relate mostly to representation and promotion of the Commission.

General Administration

General administration expenses include the cost of Corporate Services (Finance, Human Resources and Information Technology), Governance, Communications and Partnerships. Items include salaries, benefits, travel, professional services, amortization, accommodation and others. While these costs were $1.094 higher than those reported in 2005, they are $896 thousand under budget for the year.

See tables on opposite page.

FUTURE ACCOUNTING CHANGES

The Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards that will have an impact on the Council: Section 1530, Comprehensive Income; Section 3855, Financial Instruments; and Section 3865, Hedges. These pronouncements establish standards for the recognition, measurement and presentation of Financial Instruments. The new standards together with the impact of these changes are described in Note 2 (k) of the Council's financial statements. The standards come into effect for 2007-08; however, the Council has opted for early adoption in 2006-07.

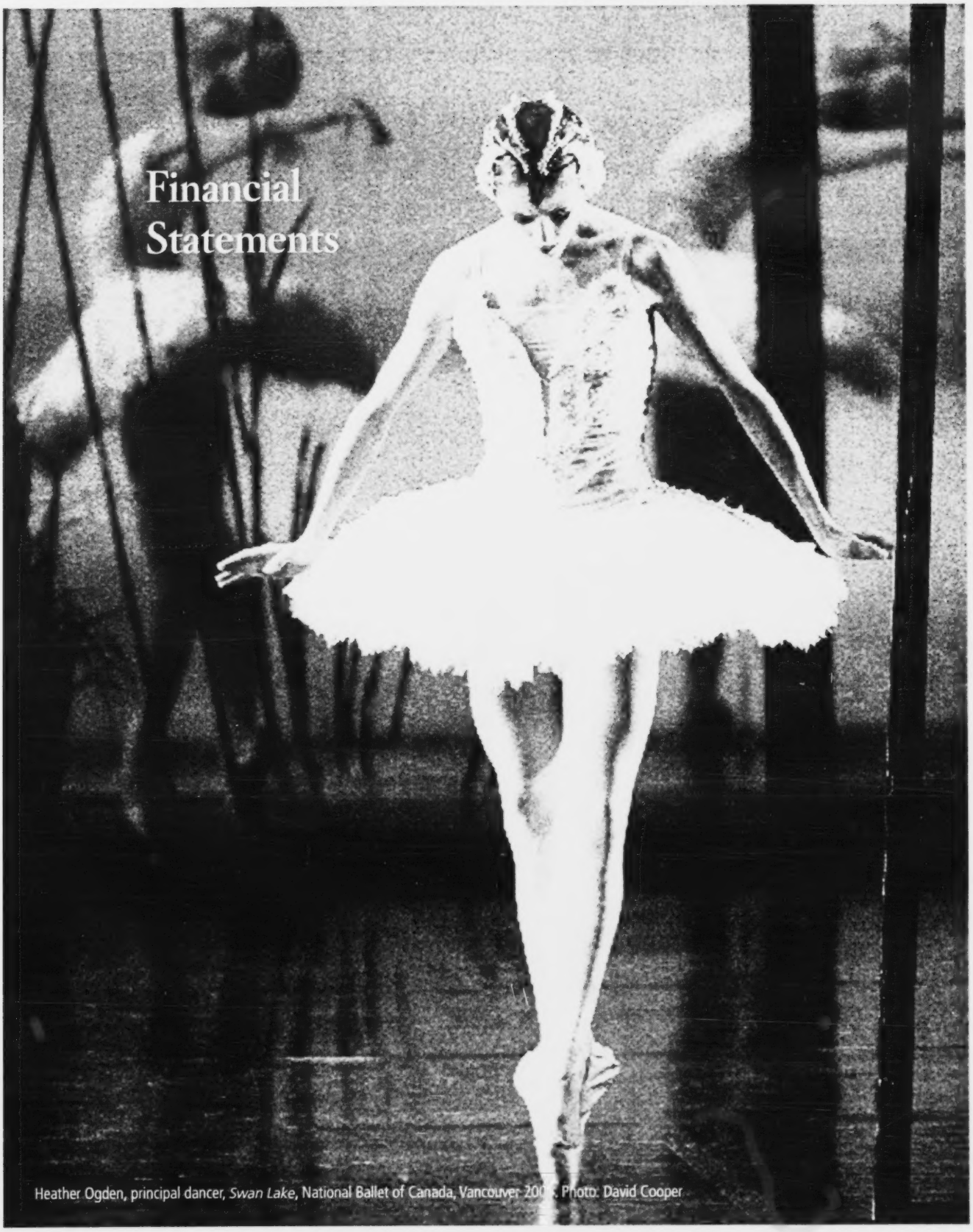
Canada Council for the Arts

Balance Sheet as at March 31

	2006	2005
	(in thousands of dollars)	
ASSETS		
Current Assets	$ 7,961	$ 11,090
Investments	298,040	274,015
Works of art and musical instruments	19,591	19,099
Other capital assets	4,324	4,400
Total Assets	**$ 329,916**	**$ 308,604**
LIABILITIES		
Current Liabilities	$ 26,249	$ 29,438
Other Liabilities	7,705	4,969
	$ 33,954	$ 34,407
PRIVATE ENDOWMENTS	$ 71,539	$ 69,475
EQUITY	**224,423**	**204,722**
	$ 329,916	**$ 308,604**

Statement of Operations as at March 31

	Actual 2006	Budget 2006	Actual 2005
		(in thousands of dollars)	
REVENUE			
Net investment income	$ 26,151	$ 10,061	$ 3,389
Net Art Bank revenue (costs)	805	(20)	76
Other	1,530	934	2,047
	28,486	10,975	5,512
EXPENSES			
Programs	145,529	146,350	145,364
Canadian Commission for UNESCO	2,108	2,045	1,946
General Administration	12,703	13,599	11,609
	160,340	161,994	158,919
Net loss before parliamentary appropriation	131,854	151,019	153,407
Parliamentary appropriation	151,683	150,973	152,111
Surplus (deficit) for the year	**$ 19,829**	**$ (46)**	**$ (1,296)**



Financial Statements

Heather Ogden, principal dancer, *Swan Lake*, National Ballet of Canada, Vancouver 200[illegible]. Photo: David Cooper

Canada Council for the Arts

Management's Responsibility for Financial Reporting

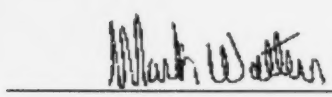
The accompanying financial statements of the Canada Council for the Arts and all the information in this annual report are the responsibility of Management and have been approved by the Council.

The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

The Canada Council for the Arts maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately accounted for and adequately safeguarded.

The Members of Council are responsible for the management of the business and activities of the Canada Council for the Arts. In particular, they are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. They exercise this responsibility through the Audit and Finance Committee, which is composed of Members who are not employees of the Canada Council for the Arts. The Audit and Finance Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis. The Committee reports its findings to Council for consideration when approving the financial statements.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Canada Council for the Arts, and for issuing her report thereon.



Interim Director and Secretary-Treasurer
Mark Watters, C.A.

May 26th, 2006

Auditor General of Canada
Vérificatrice générale du Canada

To the Canada Council for the Arts
and the Minister of Canadian Heritage and Status of Woman

I have audited the balance sheet of the Canada Council for the Arts as at March 31, 2006 and the statements of operations, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act*, the *Canada Council for the Arts Act* and the by-laws of the Council.

John Wiersema, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 26, 2006

Canada Council for the Arts

Balance Sheet as at March 31

	2006	2005 (Restated–Note 17)
	(in thousands of dollars)	
ASSETS		
Current Assets		
Cash equivalents (Note 3)	$ 4,940	$ 1,614
Accrued investment income	1,847	3,917
Accounts receivable	954	4,793
Prepaid expenses	217	211
Derivative related amounts (Note 4)	3	555
	7,961	11,090
Investments (Note 5)	298,040	274,015
Works of art and musical instruments (Note 6)	19,591	19,099
Other capital assets (Note 7)	4,324	4,400
Total Assets	**$ 329,916**	**$ 308,604**
LIABILITIES		
Current Liabilities		
Bank indebtedness	$ 1,528	$ 1,782
Grants payable	20,327	21,324
Accounts payable and accrued liabilities	2,368	2,517
Deferred parliamentary appropriations	1,984	3,289
Derivative related amounts (Note 4)	42	526
	26,249	29,438
Deferred revenues	2,487	2,553
Employee future benefits (Note 8)	1,543	1,424
Deferred contributions (Note 9)	3,675	992
Total Liabilities	**33,954**	**34,407**
PRIVATE ENDOWMENTS (Note 10)	**71,539**	**69,475**
EQUITY		
Endowment - original contribution	50,000	50,000
Surplus related to the endowment	142,245	121,245
	192,245	171,245
Surplus - invested in works of art and musical instruments	19,591	19,099
Unrestricted surplus	12,587	14,378
Total Equity	**224,423**	**204,722**
Total Liabilities, Private Endowments and Equity	**$ 329,916**	**$ 308,604**

Commitments (Note 14)

On behalf of the Council:

Karen Kain, Chair

Simon Brault, Vice-Chair

(The accompanying notes and schedules form an integral part of the financial statements)

Canada Council for the Arts

Statement of Operations for the year ended March 31

	2006	2005 (Restated–Note 17)
	(in thousands of dollars)	
REVENUE		
Net investment income (Note 11)	$ 26,151	$ 3,389
Net Art Bank revenue (Note 12)	805	76
Other	1,530	2,047
Total Revenue	**28,486**	**5,512**
EXPENSES		
Programs		
Grants (Schedule 1)	132,086	132,328
Administration (Schedule 2)	8,872	9,121
Services	4,571	3,915
	145,529	145,364
Canadian Commission for UNESCO (Note 12)	2,108	1,946
General administration (Schedule 2)	12,703	11,609
Total Expenses	**160,340**	**158,919**
Net cost of operations before parliamentary appropriation	131,854	153,407
Parliamentary appropriation	151,683	152,111
Surplus (deficit) for the year	**$ 19,829**	**$ (1,296)**

(The accompanying notes and schedules form an integral part of the financial statements)

Canada Council for the Arts

Statement of Changes in Equity for the year ended March 31

	2006	2005 (Restated – Note 17)
	(in thousands of dollars)	
EQUITY		
Endowment – original contribution	$ 50,000	$ 50,000
Surplus related to the endowment		
Balance at beginning of the year	121,245	123,600
Appropriated from (to) unrestricted surplus during the year	21,000	(2,355)
Balance at end of the year	142,245	121,245
Surplus – invested in works of art and musical instruments		
Balance at beginning of year	19,099	19,278
Net disposals during the year	(128)	(408)
Appropriated from unrestricted surplus during the year	620	229
Balance at end of the year	19,591	19,099
Unrestricted surplus		
Balance at beginning of the year, as previously reported	11,580	(625)
Cumulative adjustments to prior years – Note 17	2,798	14,173
Balance at beginning of the year, restated	14,378	13,548
Surplus (deficit) for the year	19,829	(1,296)
Appropriated (to) from surplus related to the endowment during the year	(21,000)	2,355
Appropriated to surplus invested in works of art and musical instruments during the year	(620)	(229)
Balance at end of the year	12,587	14,378
Balance of equity at end of the year	**$ 224,423**	**$ 204,722**

(The accompanying notes and schedules form an integral part of the financial statements)

Canada Council for the Arts

Statement of Cash Flows for the year ended March 31

	2006	2005 (Restated–Note 17)
	(in thousands of dollars)	
OPERATING ACTIVITIES		
Surplus (deficit) for the year	$ 19,829	$ (1,296)
Items not affecting bank indebtedness and cash equivalents		
Distribution of income from foreign denominated investments	(5,666)	(4,357)
Donation of works of arts	(598)	-
Deferred contributions transferred to (from) private endowments	2,064	(3,578)
Amortization – other capital assets	930	901
Amortization – other capital assets – Art Bank	125	117
Employee future benefits	119	96
	16,803	(8,117)
Change in non-cash operating assets and liabilities (Note 13)	6,137	(4,429)
Cash provided by (used by) operating activities	**22,940**	**(12,546)**
INVESTING ACTIVITIES		
Purchases of investments	(98,595)	(182,940)
Sales/maturities of investments	80,236	193,861
Acquisition of other capital assets, works of art and musical instruments	(1,001)	(1,493)
Cash (used for) provided by investing activities	**(19,360)**	**9,428**
Increase (decrease) in bank indebtedness and cash equivalents	3,580	(3,118)
Net (bank indebtedness) cash position at beginning of the year	(168)	2,950
Net cash position (bank indebtedness) at the end of the year	**$ 3,412**	**$ (168)**
Represented by:		
Cash equivalents	$ 4,940	$ 1,614
Bank indebtedness	(1,528)	(1,782)
	$ 3,412	**$ (168)**

(The accompanying notes and schedules form an integral part of the financial statements)

1. Authority, Operations and Objectives

The Canada Council for the Arts, established by the ***Canada Council Act*** in 1957 and subsequently amended in 2001 by Bill C-40 to the ***Canada Council for the Arts Act***, is not an agent of Her Majesty and is deemed to be a registered charity for the purposes of the ***Income Tax Act***. In accordance with section 85(1) of the ***Financial Administration Act***, the Canada Council is exempt from Divisions I to IV of Part X of this Act, except for sections 131 to 148 of Division III. The Canada Council for the Arts is a national organization whose objectives are to foster and promote the study, enjoyment and production of works in the arts.

The Council achieves its objectives through a grants program to professional Canadian artists and arts organizations. The Council incurs administration and services expenses in the delivery of programs. Program administration expenses are detailed in Schedule 2 and represent the direct costs of program delivery. Program services expenses mainly represent the costs associated with the adjudication of Council's grants. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The ***Canada Council for the Arts Act*** assigns the Council with the functions and duties for the Canadian Commission for UNESCO. The Canadian Commission for UNESCO advises the Government of Canada on its relations with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The Commission also fosters co-operation between Canadian organizations in civil society and UNESCO.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies of the Council are:

(a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires the Council to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Employee-related liabilities, accrued investment income and the estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ from those estimated.

(b) Cash equivalents

Cash equivalents are carried at cost. Cash equivalents represent short-term highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents on Council's balance sheet comprise units in a short-term pooled fund.

(c) Investments

The investments are recorded at cost and are written down to market value when the loss in value is considered to be other than a temporary decline. The investments may be sold in response to changes in Council's liquidity requirements and to rebalance the asset mix to benchmarks stipulated in Council's investment policy. Investments in equity denominated in foreign currencies are translated using the historical exchange rate at the time the transaction took place.

(d) Other capital assets, works of art and musical instruments

Equipment and leasehold improvements are carried at cost less the accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment	5 years
Leasehold improvements	term of the lease

Purchased works of art and musical instruments are capitalized at cost. Donated works of art and musical instruments are recorded at their appraised value. No amortization is recorded on these assets.

(e) Employee future benefits

i) Severance benefits

Employees are entitled to severance benefits, as provided for under conditions of employment and the collective agreement. The cost of these benefits is accrued as the employees render the services necessary to earn them. The liability is calculated based on management's best estimates and assumptions, on the employee's salary and number of years of service as at March 31st. For employees who have attained the age of 50, with one year or more of continuous service, one week's salary is calculated for each completed year of continuous service up to a maximum of 28 weeks. For employees who have not attained the age of 50, with one or more years of service, one-half of one week's salary is calculated for each completed year of continuous service up to a maximum of 26 weeks. These benefits represent the only employment obligation of the Council that entails settlement by future payment.

ii) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Council's contribution to the plan reflects the full cost as employer. The amount is currently based on a multiple of the employee's required contributions, and may change over time depending on the experience of the Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Council. The Council currently is not required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

(f) Surplus related to the endowment

In years when net investment income exceeds the amount of budgeted investment income, an amount may be transferred to the surplus related to the endowment from the unrestricted surplus. In years when net investment income is less than the amount of budgeted investment income, an amount may be transferred from the surplus related to the endowment to the unrestricted surplus. These transfers are approved by Council.

(g) Revenue recognition

(i) Investment income

Investment income is recorded on an accrual basis and includes realized gains and losses on disposal of investments, foreign currency gains and losses on matured currency forward contracts, dividends and interest earned on pooled funds and changes in the unrealized fair value of the unsettled derivatives. Gains and losses on investments sold during the year are recorded when they are realized and the corresponding asset is removed from the balance sheet. Realized gains and losses represent the difference between sale proceeds and cost, less related costs of disposition.

(ii) Parliamentary appropriation

Parliamentary appropriation is recognized as revenue in the year for which it is approved by Parliament. Parliamentary appropriation intended for future years received from Parliament before the end of the year is recorded as deferred parliamentary appropriation. The parliamentary appropriation is mainly used for operations.

(iii) Contributions

The Canada Council for the Arts follows the deferred contribution method of accounting for contributions.

Unrestricted contributions are recognized as other revenue in the year received or in the year the funds are committed to the Canada Council for the Arts if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recorded as revenue in the year it is earned.

Contributions externally restricted and related investment income are recorded as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred.

Endowment contributions are recognized as direct increases to private endowments.

Contributions in-kind are recorded at their fair value when they are received.

(iv) Art Bank rental revenues

Revenues generated from the rental of works of art are recognized in the year in which services are provided. They are included in Net Art Bank revenue.

(v) Other revenues

Other revenues mainly consist of the cancellation in the current year of grants approved in previous years.

(h) Grants

Grants are recorded as an expense for the year in which they are approved by the Council.

(i) Derivative financial instruments

The Council is exposed to foreign currency risk because it holds assets of global equities denominated in foreign currencies. Derivative financial instruments ("derivatives") are used by the Council in the management of its foreign currency exposure.

The Council's investment policies and goals restrict the use of derivatives to currency forward and futures contracts to manage risk. The Council holds its derivatives until maturity and does not use them for speculative purposes.

The Council does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon acquisition, and removed from the balance sheet when they are settled. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as derivative related amounts as a component of total assets. Derivatives with a negative fair value are reported as derivative related amounts as a component of total liabilities. All changes in the fair value of derivatives are recognized on the statement of operations under net investment income in the period in which they occur.

(j) Operating leases

The Council enters into operating leases for its office accommodation. The lease inducements are recorded in reduction of the office accommodation expense on a straight-line basis over the term of the lease.

(k) Future accounting changes

In January 2005 the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: Section 1530, ***Comprehensive Income***; Section 3855, ***Financial Instruments – Recognition and Measurement***; and Section 3865, ***Hedges***. These pronouncements establish standards for the recognition and measurement of financial instruments. These new standards are effective for fiscal years beginning on or after October 1, 2006, although early adoption is permitted.

The Council has decided to adopt these standards for the fiscal year beginning April 1, 2006.

As a result of adopting these new requirements, the Council will classify each of its financial assets as either available-for-sale, held-for-trading, held-to-maturity or loans and receivables and apply the appropriate accounting methods for each. The Council will also have to present a new component in equity called other comprehensive income (OCI). The OCI will include unrealized gains and losses related to the change in fair value on financial assets that are classified as available-for-sale.

These new accounting standards will have an impact on the way that the Council accounts for its investments. The Council will classify all of its investments as available-for-sale, which will have to be measured at their fair value. Realized gains and losses on sale or disposition of the investments will be recorded in the statement of operations under net investment income and offset against OCI.

The impact of measuring the investments at fair value on April 1, 2006 will be recognized in opening unrestricted surplus. Results for the prior periods will not be restated.

The Council intends to apply hedge accounting. The new requirements set out more stringent criteria that hedging relationships must meet in order to comply with hedge accounting. The Council intends to classify its hedging relationships as foreign currency fair value hedges. For fair value hedges, the change in the fair value of hedging derivatives will be offset in Council's statement of operations against change in the fair value of the hedged item.

3. Cash Equivalents

The objective of the Canada Council with respect to the management of liquidity is to ensure that the capital value of the funds is preserved, that the investments are liquid and that interest income is maximized given the quality and liquidity constraints of the investment policy. The permitted and prohibited investments are governed by a Board approved short-term funds investment policy.

The Council invests temporary surplus cash in a short-term pooled fund managed by Legg Mason Canada. All instruments held in the pooled fund are rated R1 (low) or A (low) or better by a recognized bond rating agency. This fund is comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for all levels of government guaranteed instruments, no more than 10% of the short-term portfolio is invested with any one issuer. For the year ended March 31, 2006 the overall portfolio return was 2.92% (2005 – 2.63%) and as at March 31, 2006 the average weighted term to maturity is 50 days (2005 – 37 days).

The net book value of cash equivalents as at March 31, 2006 and March 31, 2005 approximated the market value.

4. Derivative Financial Instruments

Derivative use has been limited to currency forward contracts. The Council currently uses foreign currency forward contracts that represent commitments to purchase or sell foreign currencies for delivery at a specific date in the future at a fixed rate to manage its foreign currency exchange risk. These contracts are typically for a three month period.

In any transaction there is a potential for loss. This loss potential is represented by credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the other party to incur a financial loss, and market risk, where an exposure exists as a result of changes in foreign exchange rates or interest rates.

The Council manages its exposure to credit risk by contracting only with creditworthy counterparties. During the year, the Council entered into foreign currency forward contracts to manage its exposure to foreign currency exchange risk on the non Canadian dollar denominated equity funds managed by Barclays Global Investors. The Council manages its exposure to market risk using limits set out in the Council's investment policy.

Although foreign currency forward contracts are measured in terms of their notional amounts, these amounts are not recorded on the balance sheet as the notional amounts serve as points of reference for calculating payments and are not the actual amounts that are exchanged. At March 31, 2006, the Council held foreign currency forward contracts, for settlement July 5, 2006, with a notional amount of $57 million (2005 – $93 million).

In accordance with Emerging Issues Committee Abstract 128, the Council recognizes and measures its foreign currency forward contracts at fair value, with changes in fair value being recognized in income. The net fair value of outstanding foreign exchange forward contracts represents a net liability of $39,000 (2005–a net asset of $29,000) and reflects the net potential loss if settlement were to take place on March 31st, 2006. The positive fair value is recorded on the balance sheet under derivative related amounts as a component of assets and the negative fair value under derivative related amounts as a component of liabilities and the net unrealized gain or loss on the statement of operations in net investment income.

Net investment income includes a foreign exchange gain of $7.5 million (2005–$8.5 million) on matured foreign currency forward contracts. Included in Accrued investment income, is a receivable of $0.5 million (2005–$2.6 million) for foreign currency forward contracts that matured on March 31st, and settled on April 6, 2006 (2005–April 6, 2005).

5. Investments

	2006			2005 (Restated - Note 17)		
	Cost		Market Value	Cost		Market Value
	$	%	$	$	%	$
	(in thousands of dollars)					
Canada Council and Other Endowments						
Pooled funds						
Equity	$ 175,513	74.6	$ 186,986	$ 160,802	74.7	$ 162,085
Fixed income	43,818	18.6	44,573	41,408	19.2	42,513
Alternative	5,929	2.5	6,123	4,283	2.0	4,523
Income Trusts	8,609	3.7	10,878	8,450	3.9	9,607
Real Estate	1,536	0.6	1,532	472	0.2	470
Mortgages	-	-	-	1	-	1
	235,405	100.0	250,092	215,416	100.0	219,199
Killam Endowments						
Pooled Funds						
Equity	46,391	74.1	47,498	44,197	75.4	42,568
Fixed income	11,598	18.5	11,786	10,961	18.7	11,241
Alternative	1,573	2.5	1,625	1,137	2.0	1,200
Income Trusts	2,689	4.3	3,383	2,186	3.7	2,488
Real Estate	384	0.6	383	118	0.2	118
	62,635	100.0	64,675	58,599	100.0	57,615
Total investments	$ 298,040		$ 314,767	$ 274,015		$ 276,814

The long term objectives of the Canada Council and Other Endowments and the Killam Endowments are to generate long term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital.

The Canada Council invests in units of equity, fixed income and alternative pooled funds, in segregated income trusts and in units of a real estate fund. The permitted and prohibited investments as well as the asset mix are governed by a Board approved investment policy. All of the investments are managed by professional investment managers.

The Council manages its portfolio to the following benchmarks adopted by Board Members in June 2004. In doing so, asset class allocations can vary between a minimum and a maximum.

Asset Classes	Actual %	Minimum %	Benchmark %	Maximum %
Equities	74.5%	55%	68%	80%
Fixed income	18.6%	10%	20%	40%
Alternatives	2.5%	0%	4%	6%
Income Trusts	3.8%	0%	4%	6%
Real Estate	0.6%	0%	4%	6%

As at March 31st, 2006, the Council is making progress towards meeting these benchmarks. Departures from these benchmarks represent assets in transition from one asset class to another.

Investments in the equity pooled funds are comprised of units of four pooled funds. These funds are invested in the global equity markets. Investments in the fixed income pooled fund are comprised of Canadian Government and corporate bonds with a minimum credit quality of BBB rated by a recognized bond rating agency. Investment in the alternative pooled fund is comprised of diversified positions across Canadian and global asset classes. Investments in income trusts are comprised principally of Canadian income funds that include: Real Estate Investment Trusts; Business and Industrial Funds; Commodity-based Royalty Trusts; and Pipeline and Power Generation Trusts. The assets included in real estate are commercial real estate properties valued between $2 and $15 million each.

Funds	2006 Annualized return %	2005 Annualized return %
Equities		
Templeton Master Trust – Series 2	14.1%	6.5%
Barclays Indexed Equity	23.1%	10.6%
Fixed income – Barclays Universe Bond Index	4.8%	5.0%
Alternatives – Barclays Global Market Selection class A and Barclays Global Ascent Fund	35.8%	11.7%
Income Trusts – Acuity	36.0%	18.6%

The Equity pooled funds are managed by two managers. Franklin Templeton Investments manage the global Templeton Master Trust – Series 2, an actively managed portfolio of global equities. Barclays Global Investors manages three enhanced index funds that are measured against the returns of global equity markets. These are: the BGICL Active Canadian Equity Fund, the BGICL Alpha Tilts Fund B and the BGICL International Alpha Tilts Hedged to CAD. The equity pooled funds that are denominated in U.S. dollars represent an amount of $56,668 of the portfolio cost

(2005 – $90,062). The fixed income pooled fund is comprised of the BGICL Universe Bond Index Class A. The fixed income fund is intended to replicate the returns of the Scotia Capital Universe Bond Index. The alternative pooled fund is comprised of the BGICL Global Ascent Fund. These investments are measured against the returns of the Scotia Capital 91 day T-bill plus 20%. The income trusts are managed by Acuity Investment Management and are managed on a segregated basis. These investments are measured against the returns of the Scotia Capital Income Trust Index. The investments in real estate are managed by Greiner-Pacaud Management Associates (GPM) and will be made over a period of one to two years as investment opportunities arise. The real estate investment with GPM is still in acquisition phase and their investment rate of return since inception in November 2004 is 2.7%, and is not indicative of expected performance.

The market value is based on the market price calculated by the investment managers as at March 31st.

6. Works of Art and Musical Instruments

	2006	2005
	(in thousands of dollars)	
Works of Art	$ 18,043	$ 17,551
Musical Instruments	1,548	1,548
	$ 19,591	$ 19,099

The Canada Council for the Arts Art Bank has the largest number of contemporary Canadian works of art in Canada. It includes about 17,500 paintings, sculptures, drawings, photographs and prints by over 2,930 artists. The Art Bank rents art works to interested parties and presently has about 6,500 (2005 – 6,000) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Canada Council for the Arts created the Musical Instrument Bank in 1985 and it presently owns a fine cello bow and five quality musical instruments. In addition, the Council manages seven instruments on loan from an anonymous donor until August 2009.

7. Other Capital Assets

	2006			2005
	Cost	Accumulated amortization	Net Book Value	Net Book Value
		(in thousands of dollars)		
Office equipment	$ 7,025	$ 6,012	$ 1,013	$ 842
Leasehold improvements	4,932	1,621	3,311	3,558
	$ 11,957	$ 7,633	$ 4,324	$ 4,400

8. Employee Future Benefits

i) Severance benefits

The Council provides severance benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations or other sources of revenue. Information about the plan, measured as at March 31st, is as follows:

	2006	2005
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	$ 1,424	$ 1,328
Cost for the year	236	166
Benefits paid during the year	(117)	(70)
Accrued benefit obligation, end of year	$ 1,543	$ 1,424

ii) Pension benefits

The Council and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Council's and employees' contributions to the Public Service Pension Plan for the year were as follows:

	2006	2005
	(in thousands of dollars)	
Employer's contributions	$ 1,384	$ 1,346
Employees' contributions	616	598

9. Deferred Contributions

Deferred contributions represent unspent externally restricted net income on endowments and contributions received by way of bequest and donations that have been restricted for specific purposes established by the donors. In addition, deferred contributions include other sources of revenue that have been restricted for specific purposes. The funds of the endowments are included with the Canada Council for the Arts' investment portfolio and a proportionate share for each endowment is calculated based upon the market value of the investment portfolio at the time the endowment was received. The additions include net investment income or loss (interest, dividends, net realized capital gains or losses and net realized and unrealized gains or losses on foreign currency) calculated annually as the proportionate share of each endowment plus any other sources of revenue. Use of funds is equal to the grants and administration expenses incurred in order to meet the specific purpose for each endowment.

	2006	2005 (Restated–Note 17)
	(in thousands of dollars)	
Balance, beginning of year	$ 992	$ 1,594
Net investment income (loss)	7,889	(1,317)
Use of funds	(3,142)	(2,863)
Transferred (to) from private endowments (Note 10)	(2,064)	3,578
Balance at end of year	$ 3,675	$ 992

10. Private Endowments

Private endowments consist of restricted donations received by the Council. The endowment principal of $33,835,685 is required to be maintained intact. Also, the Council may transfer a portion of the income earned on these donations to the endowment principal once the operational needs of the Council have been met. If the operational needs of the Council exceed the income earned, then a transfer from endowment principal to operations of all or a portion of the excess, will be made.

	2006	2005 (Restated–Note 17)
	(in thousands of dollars)	
Balance, beginning of year	$ 69,475	$ 73,053
Deferred contributions transferred to (from) private endowments (Note 9)	2,064	(3,578)
Balance at end of year	$ 71,539	$ 69,475

11. Net Investment income

	2006	2005 (Restated–Note 17)
	(in thousands of dollars)	
Net gains on disposal of investments	$ 18,657	$ 6,449
Net gains (losses) on foreign currency	3,238	(13,889)
Dividends	7,088	4,960
Interest	3,785	3,205
Transfer (to) from deferred contributions and private endowments	(4,715)	4,203
Investment portfolio management costs	(1,902)	(1,539)
	$ 26,151	$ 3,389

12. Net Art Bank Revenue and Canadian Commission for UNESCO

	2006	2005
	(in thousands of dollars)	
Net Art Bank Revenue		
Rental revenue	$ 1,837	$ 1,647
Donation of works of arts	598	-
Other income	202	168
Administration	(1,707)	(1,622)
Amortization	(125)	(117)
Net Art Bank revenue	$ 805	$ 76

	2006	2005
	(in thousands of dollars)	
Canadian Commission for UNESCO		
Program expenses	$ 1,049	$ 767
Program – contributions received	(275)	(4)
Administration	1,334	1,183
	$ 2,108	$ 1,946

Program expenses mainly represent the costs associated with the Commission's activities at international meetings related to education, science and culture. These costs are offset by contributions received from other organizations partnering with the Commission on these activities. Administration expenses represent the direct costs of delivering the Commission's programs.

13. Change in Non-cash Operating Assets and Liabilities

	2006	2005
	(in thousands of dollars)	
Decrease (increase) in accrued investment income	$ 2,070	$ (3,174)
Decrease (increase) in accounts receivable	3,839	(1,610)
Decrease (increase) in derivative related amounts - assets	552	(555)
Increase in prepaid expenses	(6)	(35)
Decrease in grants payable	(997)	(1,278)
Decrease in accounts payable and accrued liabilities	(149)	(494)
Decrease in deferred revenues	(66)	(55)
(Decrease) increase in deferred parliamentary appropriation	(1,305)	2,848
(Decrease) increase in derivative related amounts - liabilities	(484)	526
Increase (decrease) in deferred contributions	2,683	(602)
Net cash provided by (used by) non-cash operating assets and liabilities	$ 6,137	$ (4,429)

14. Commitments

(a) Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants approved prior to March 31, 2006 are payable as follows:

	(in thousands of dollars)
2007	$ 66,394
2008	14,171
2009	111

(b) The Council is party to long-term operating leases with respect to rental accommodation. The net minimum annual rental is as follows:

	(in thousands of dollars)
2007	$ 3,469
2008	3,469
2009	3,641
2010	3,670
2011	3,519
2012 – 2014	9,007
Total	$ 26,775

15. Related Party Transactions

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Council enters into transactions with related parties in the normal course of business and on normal trade terms applicable to all individuals and enterprises. During the year, the Council incurred grant expenses totaling $79,000 (2005 - $297,000) and recorded rental revenues of works of art, contributions and other revenues totaling $2,631,000 (2005 - $1,981,000) with related parties.

As at March 31st, the Council recorded the following amounts on the balance sheet for transactions with related parties:

	2006	2005
	(in thousands of dollars)	
Accounts receivable	$ 638	$ 4,451
Grants payable	81	219
Accounts payable and accrued liabilities	7	6
Deferred revenues	737	771

The Council is not exposed to significant interest or credit risk related to its accounts receivable.

16. Fair Value of Financial Instruments

The Council's financial instruments consist of cash equivalents, accrued investment income, accounts receivable, derivative related amounts, investments, bank indebtedness, grants payable and accounts payable and accrued liabilities which are incurred in the normal course of business. The carrying amounts of these financial instruments, excluding the investments and derivative related amounts, approximate their fair value because of their short-term maturity.

The fair values of the investments are estimated market prices calculated by the investment managers. The market value is listed in note 5.

Fair value estimates for the derivative financial instruments are calculated using the current market spot and the forward exchange rates at year end. The fair value is listed in note 4.

17. Adjustments to Prior Years' Results

In 2005, the Council incorrectly restated its financial statements as a result of a misinterpretation of Canadian generally accepted accounting principles. Foreign currency denominated assets were incorrectly classified as monetary in 2005, when they should have continued to be classified as non-monetary, as was the case previously.

As a result, foreign currency denominated investments were translated into Canadian dollars using the exchange rates in effect at the balance sheet date rather than at historical rates from the date of acquisition of these assets.

Consequently, the comparative financial statements presented for the year ended March 31, 2005 have been restated. The effect on these statements is as follows; Investments have increased by $3,772,000, Net investment income and Surplus (deficit) has decreased by $11,375,000, Deferred contributions have increased by $47,000, Private endowments have increased by $927,000, the beginning balance of Unrestricted Surplus has increased by $14,173,000 which represents the cumulative effect of the error on years prior to 2005, and the ending balance of Unrestricted Surplus has increased by $2,798,000.

There is no impact on the information presented for the current year.

18. Comparative Figures

Certain 2005 figures have been reclassified to conform to the presentation adopted in 2006.

Canada Council for the Arts

Schedule of Grant Expenses by Section
for the year ended March 31

Schedule 1

Arts Programs	2006	2005
	(in thousands of dollars)	
Music	$ 26,322	$ 26,808
Theatre	22,086	22,461
Writing and Publishing	20,097	19,983
Visual Arts	17,124	17,318
Dance	14,992	14,819
Media Arts	11,826	12,262
Public Lending Right Commission	9,042	9,025
Equity	2,102	1,772
Inter-Arts	1,446	1,517
Aboriginal Secretariat	1,254	529
Audience and Market Development	981	1,149
Other	2,219	2,408
Killam Program		
Killam Research Fellowships	1,551	1,009
Killam Prizes	500	500
Other Prizes and Awards		
Victor Martyn Lynch-Staunton Awards	105	105
Molson Prizes	100	100
John G. Diefenbaker Award	75	75
Commission internationale du théâtre francophone	73	113
Japan-Canada Fund	72	209
Other prizes and awards < $50,000	119	166
	$ 132,086	**$ 132,328**

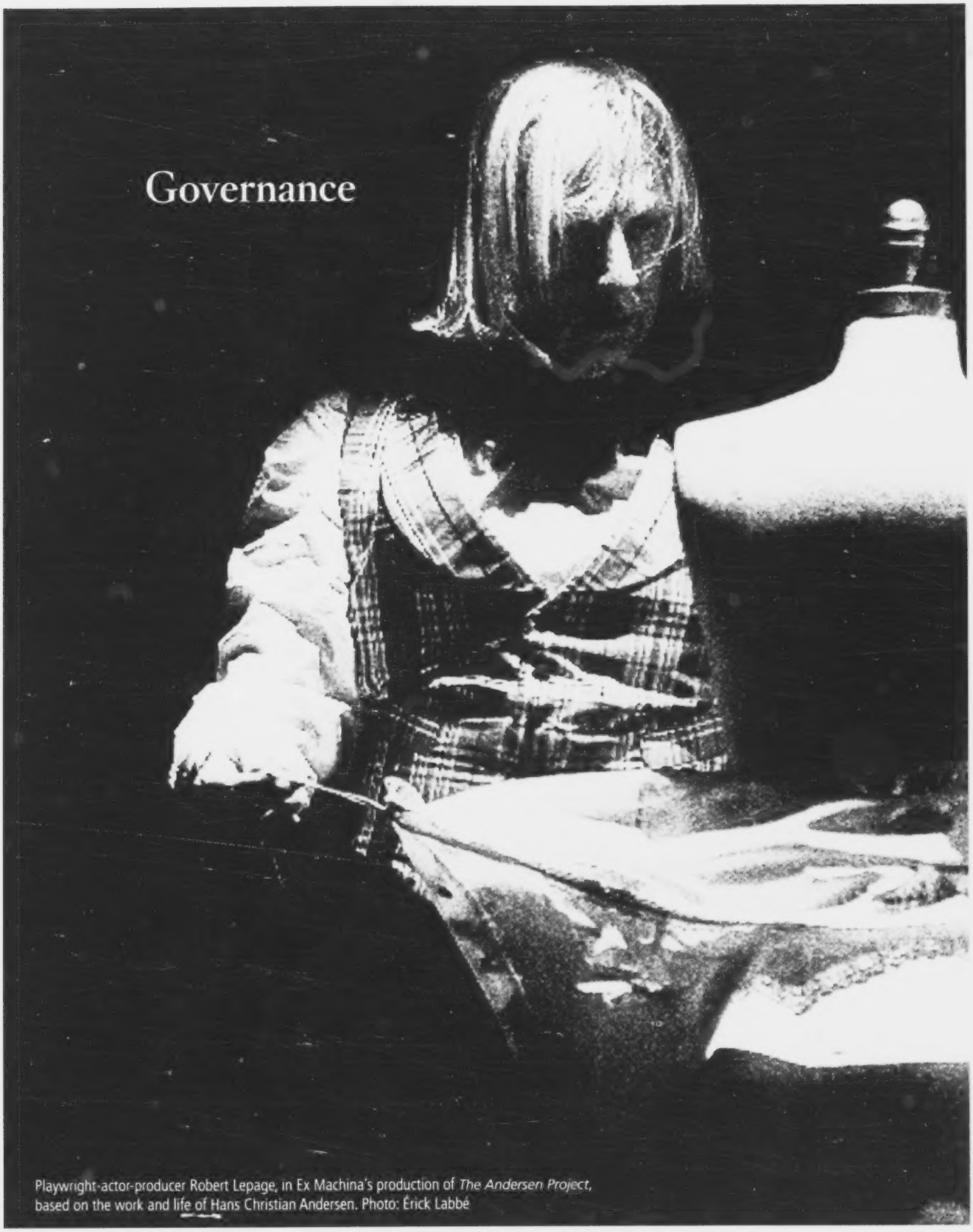
Canada Council for the Arts

Schedule of Administration Expenses
for the year ended March 31

Schedule 2

	2006			2005
	Programs	General Administration	Total	Total
	(in thousands of dollars)			
Salaries	$ 6,137	4,577	10,714	$ 10,404
Employee benefits	1,567	1,198	2,765	2,609
Office accommodation	33	3,164	3,197	2,849
Professional and special services	287	984	1,271	1,347
Amortization	-	930	930	901
Staff travel	580	310	890	761
Printing, publications and duplicating	23	515	538	661
Communications	155	224	379	410
Meeting expenses including members' honoraria	85	254	339	275
Office expenses and equipment	5	270	275	268
Information management	-	234	234	226
Miscellaneous	-	43	43	19
	$ 8,872	**$ 12,703**	**$ 21,575**	**$ 20,730**

Governance



Playwright-actor-producer Robert Lepage, in Ex Machina's production of *The Andersen Project*, based on the work and life of Hans Christian Andersen. Photo: Érick Labbé

Board Mandate

The Canada Council is governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. Members are appointed by the Governor-in-Council (the federal Cabinet) for fixed terms. The Board meets at least three times a year and is responsible for the organization's policies, programs, budgets and grant decisions.

Corporate governance is the process and structure used to direct and manage the business of an organization with the objective of fulfilling the organization's mandate. Though all the staff and Board members of an organization have a responsibility to adhere to and carry out the governance policy, the principal responsibility for implementing the policy and ensuring compliance with it rests with the organization's Board and Executive Management.

As stewards of the organization, members of the Board are responsible for maintaining active oversight of the organization's governance. The Board must oversee the conduct of the Council's business, direct Management and endeavour to ensure that all major issues affecting the Council are given proper consideration.

The Board of the Canada Council has overall responsibility for the organization, including its finances, policies and funding decisions. The duties of Board members include:

- attending Board meetings in Ottawa or elsewhere;
- voting, except where they are in a conflict of interest;
- establishing the overall policies and approving the programs of the Council;
- approving the allocation of the budget between various disciplines, purposes and programs;
- monitoring the effectiveness of the programs and the integrity of the peer assessment system;
- authorizing the awarding of grants, either directly or through delegated authority;
- reflecting regional concerns in discussions within a national perspective;
- bringing to bear an area of expertise, usually in some aspect of the arts, of business or of community activity, while maintaining awareness of and respect for the expertise of others;
- explaining the Council's role in supporting the arts to the arts community, to national, provincial and local leaders, and to the general public;
- serving on standing or special Council committees;
- representing the Council at public events or other activities, as required; and
- performing other duties which the Chair may assign.

Board Independence

All members of the Board are independent directors, appointed by the federal government. While the Director (CEO) and Executive Management attend Board meetings to provide information and report on activities, only members may vote and make decisions. Board committees are also composed of Board members; external experts are selected for their knowledge and expertise.

The Board ensures that it has sufficient expertise to carry out its duties and bring a balanced judgment to the assessment of Management and the merit of Management proposals.

At each meeting of the full Board, an *in camera* meeting is scheduled between the Board and the Director. The discussion focuses on issues that the Chair and the Director judge do not require representations from other members of Management.

At each meeting of the full Board, the Board also schedules an *in camera* meeting with its members only. The agenda is determined by the Chair and includes discussion of issues that the Board wishes to discuss privately.

Strategic Planning

The Board is responsible for establishing the overall policies of the Council and formulating its strategic directions, developing and approving the Corporate Plan and assessing the plan's implementation.

The Corporate Plan encompasses the Council's business and activities and establishes the organization's priorities, objectives, strategies, performance indicators and desired impact. It commits the Council to a planned strategic direction over a specific planning period.

The Corporate Plan is the outcome of a process in which the key objectives, priorities, strategies and environmental assessment for the present and longer term are collectively analyzed against the mandate of the organization. The plan ensures that everyone in the undertaking is aware of the priorities, strategic direction and objectives of the organization. It is a tool which guides the actions of the Board, Management and staff in a forward-looking, cohesive effort to pursue the mandate of the Council. It is also an effective means for communicating the objectives of the Council to the public and to stakeholders in a coherent and transparent fashion.

The Council's Corporate Plan results from an in-depth analysis of the organization and its environment by the Executive Management, Section Heads and Board. Management, in consultation with the Board, formulates the strategic direction and drafts the Corporate Plan. The Board is responsible for assessing and approving it.

In strategic planning, the role of Board members is that of leadership. Board members bring their individual expertise and specialized knowledge to the formulation of Council policy and assist Management in developing the Corporate Plan.

The Board's role in strategic planning is to:

- provide direction and counsel to Management in the strategic planning process;
- approve the strategic direction and the Corporate Plan for the Council;
- periodically challenge the assumptions, identified alternatives and assessments in the Corporate Plan; and
- monitor Management's success in implementing the approved priorities of the Council.

In establishing the strategic direction, the Board must be satisfied that Management has considered all the relevant factors that will influence the future direction of the organization. Once approved, the Corporate Plan provides a basis for evaluating the performance of the organization.

Management reports annually to the Board on how the Council is performing in relation to the objectives set out in the Corporate Plan and on the actual results achieved in the previous year. This regular monitoring of corporate performance assists the Board in its decision-making processes.

Risk Management

The Board must maintain a thorough understanding of the principal risks inherent in the Council's activities and its external environment. It ensures that the principal risks of the Council's business have been identified and that appropriate systems to monitor and manage these risks have been implemented. The process generally adopted for this involves briefings from management, as well as reports from Council's internal and external auditors.

In addition, the Council is responsible for a number of investment funds including the Endowment, the Special Funds and the Killam Funds. The objective of the funds is to produce long-term real returns from which stable and growing grants can be made, while maintaining the purchasing power of residual capital. In order to establish the parameters under which these funds will be managed, the Board has adopted a "Statement of Investment Policies and Goals." This investment policy is the tool used by Council's Investment Committee, investment managers and advisors to manage the portfolios, as well as by the Board to assess their performance.

Governance Policy

The Council's Governance Policy, adopted in 2001, is a key tool for efficiency, effectiveness and accountability. The objectives of the policy are to:

- define Board and Management roles and responsibilities in the process of good governance;
- provide a mechanism by which the highest standards of accountability can be realized;

- establish an information reporting framework that is diligent, effective and efficient, one that provides sufficient information for decision-making without overburdening Management and the Board;
- delineate the key factors which must be managed in order to generate meaningful performance information;
- maintain an accountability regime that is consistent and coherent, and that forms a systematic and comprehensive whole across the organization;
- facilitate strategic decision-making for Board and Management;
- consolidate organizational policies pertaining to governance in one policy framework for the benefit of the Board, staff and external stakeholders;
- incorporate new principles and practices of good governance as these are developed and recommended in the governance field; and
- heighten Board, staff and external stakeholder confidence in the stewardship of the Board, the professionalism of Management and the integrity of the peer assessment process as these serve to fulfil the Council's mandate.

Culture of Ethical Business Conduct

The public trust rests on a belief and confidence that those in public office will conduct themselves in an ethical manner. In every circumstance, members of the Board of the Council are bound by a duty to act in the best interests of the Council, a principle founded on the conviction that decisions taken in the best interests of the Council will also uphold the best interests of the Council's stakeholders.

Members of the Board must be scrupulous in distinguishing between the overall interests of the Council and the interests of particular stakeholders. Board members must avoid the promotion of any personal interests or interests of any particular stakeholder or stakeholder group.

Board members, as federal public office holders, are bound by the federal government's Code of Ethics which is provided to Board members on appointment. They are also subject to the requirements of the federal government's Conflict of Interest and Post-Employment Code for Public Office Holders.

Board Renewal and Appointments

The Board advises the government on appropriate selection criteria for chairs of the organization, as well as competency profiles and future needs for directors.

To assist in defining the Council's needs and bringing them to the attention of government officials, the Nominating Committee of the Board maintains a "skill and expertise profile" based on its knowledge of the Council's mandate, strategies, strengths and weaknesses, and the key issues and challenges facing the organization. Along with experience and expertise, it is also a priority to recommend candidates that represent Canada's official languages, regions, generations, Aboriginal Peoples and cultural diversity. The ideal situation is where these two elements – expertise and representativeness – coalesce within the Board as a whole.

The Board member profile is continually updated, and suggestions of potential candidates who meet the profile are provided to the Minister of Canadian Heritage as vacancies occur.

Succession Planning and Senior Appointments

One of the major responsibilities of the Board is to review the succession planning for the position of Director of the Council, as well as for other key senior executives. Annually, the Board reviews the succession plans for these positions, with the assistance of the Executive Committee.

Process for the Selection of the CEO

In January 2006, the position of Director of the Council became vacant, as the mandate of John Hobday ended. As part of the succession planning process, the Board created a Search Committee for the Position of Director and worked with a search firm to determine the best candidate to recommend to the Minister of Canadian Heritage. The search process included the development of a job profile for the position; an understanding of key object-

ives, requirements and expectations; as well as a vision of the leadership that was required to move the organization forward according to the Board's vision and priorities for the Council.

The Board adopted a competitive and transparent process for finding the right candidate: the profile was developed in collaboration with the Department of Canadian Heritage and the Privy Council Office; the job was advertised nationally and on the Council's web site; the Search Committee, composed of Board members and an outside expert on Board governance, selected and interviewed candidates who applied for the position; and finally, the proposed candidate was endorsed by the full Board and recommended to the Minister for appointment as Director of the Canada Council.

As with all Governor-in-Council appointments, the Prime Minister's Office and the Privy Council Office must ensure that the candidate best meets the requirements of the position. On May 1, 2006, the Minister of Canadian Heritage proposed the appointment of Robert Sirman as Director of the Canada Council. The proposal was then submitted to the Standing Committee on Canadian Heritage, which approved the recommendation. The Governor-in-Council officially appointed Mr. Sirman to the position effective June 26, 2006.

Process for Senior Appointments

Guided by standard staffing principles and practices, a recruitment and selection process is in place for all senior management positions. Positions are either filled by the Human Resources Section or by an executive search firm. Job profiles are regularly reviewed and updated; vacancies are advertised nationally as well as on the Canada Council's web site for a minimum of one month; hiring and selection committees include experts as well as those representing employment equity groups. Prior to making an offer, the Canada Council carefully verifies references. This process ensures that the best possible candidates are recruited to allow the Council to carry out its mandate.

CEO Assessment Activities

The Director is the organization's chief executive officer. The Director carries out the policies and directives of the Council Board, reports to the Board, attends meetings of the Council and Board Committees, and represents the Council personally or through a delegate in its relations with departments and agencies of the government and other organizations on matters of interest to the Council. He or she keeps the Board updated on important factors affecting the realization of the Council's strategic objectives. The Director is accountable to the Board.

The Director also:

- provides leadership in fulfilling the Council's mandate, vision, strategic choices, and organizational and procedural controls;
- manages the Council's activities and ensures respect for and implementation of the Corporate Plan and the strategic framework and policies approved by the Board;
- is responsible for optimum resource allocation and supervises the members of Executive Management; and
- maintains a high level of professionalism and ethics and develops a climate conducive to professionalism and excellence at the Council.

Reporting on Performance Appraisal and the Achievement of Corporate Objectives

The Board has the responsibility to:

- identify the skills and characteristics it judges essential for the position of Director;
- review periodically and revise the job description for the Director;
- develop and review on an annual basis a set of corporate objectives consistent with the Corporate Plan that the Director is accountable for achieving and that incorporate both the perspectives of the Board and the Director; and
- monitor the Director's performance on an annual basis.

The Council's Chair, on behalf of the Board, communicates the results of the Director's performance appraisal to the Minister of Canadian Heritage.

Communications with Parliament and Other Stakeholders

The Board has the responsibility to ensure that the Canada Council communicates effectively with Parliament and other stakeholders.

Among the tools for communicating with Parliament and other stakeholders are the Council's Annual Report and its Corporate Plan. The Board ensures that the Council's annual reports adequately communicate the complex nature of the Council's work as well as important issues confronting the organization.

Sensitive or controversial issues likely to have a particular impact within a given region or artistic discipline are brought to the prompt attention of the Board, as are any substantive communications between management and the arts community, the public or government.

Board Orientation and Continuing Education

An essential element of effective governance is ensuring that the Board has timely access to the information it needs to carry out its duties. The Chair and Vice-Chair set the agenda for Board and committee meetings, with input from all Board members. The Board receives a comprehensive package of information prior to each Board and committee meeting. The Board also receives timely reports on the work of Board committees.

New Board members are provided with an orientation package; they are also given the opportunity to attend all committee meetings at the time of their first Board meeting. The information package describes the role of the Board, its committees and members, relevant policies and information relating to the Council and its management. New Board members also meet with Council's Executive Management team to discuss key functions and activities. The goal is to ensure that new members fully understand the nature and mandate of the Council, the role and responsibilities of the Board and its committees, and the contribution that individual Board members are expected to make, including the commitment of time and energy. The orientation also includes information on the fiduciary role of the Board and the ethical and professional standards required.

As needed, the Council provides an education program in governance for new and existing Board members. In December 2005, the full Board, along with senior management, participated in a one-day session about governance in Crown corporations offered by a leading firm working with the Privy Council Office that specializes in governance issues. The session, which focused on best practices in corporate governance, highlighted the responsibilities of public office holders within the federal government.

Board Performance Evaluation

The Canada Council's Governance Policy requires that the Board of the Council establish a mechanism for assessing its capacity and evaluating its performance and that the Governance Committee take responsibility for assessing:

- the effectiveness of the Board as a whole;
- the effectiveness of Board Committees; and
- the contribution of individual members.

The Governance Policy also requires that the process must:

- ensure candour, confidentiality and trust;
- be disclosed to stakeholders (process only);
- clearly delineate board and management responsibilities; and
- promote effective interaction between and among members.

In June of every year, the Board of Directors undertakes an evaluation of the performance of the full Board and Board committees. A report on the evaluation, including recommendations for improvements, is presented to the full Board *in camera* by the Chair of the Governance Committee. The Chair of the Council is responsible for ensuring that these recommendations are implemented by the Board and management.

Board Committee Mandates and Membership

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. The committees of the Board, their member-

ship and terms of reference are established through formal Board resolutions.

The Board approves the membership of all standing committees as well as Council representation on the Executive Committee of the Canadian Commission for UNESCO and on the Public Lending Right Commission. The use of a committee does not absolve the Board from responsibility for the committee's work or decisions.

There are five standing committees of the Council: the Executive Committee, the Investment Committee, the Audit and Finance Committee, the Governance Committee and the Nominating Committee. Their roles and responsibilities, composition and numbers, and reporting requirements are defined in the by-laws.

Committee work is shared among Board members, and Committee members are selected on the basis of their interests, expertise and availability. The chair of each standing committee informs the full Board at each of its meetings of the committee's activities, findings, conclusions and recommendations.

In 2005-06, the Board created two ad hoc committees: the Celebration 2007 Advisory Committee and the Search Committee for the Position of Director (CEO).

The Executive Committee

Between meetings of the Board, the Executive Committee acts on behalf of the Board, exercises all powers and performs all duties of the Board, except for the following:

- the enactment, amendment or repeal of by-laws; and
- approval of the policies of the Council, the Corporate Plan, the operating and capital budgets, the Annual Report, financial statements and grants.

The mandate and powers of the Executive Committee include:

- review and approval of the performance of the Director and other members of Executive Management;
- review of the financial and non-financial perquisites of the Director; and
- any other duties assigned to it by the Council.

Membership: Karen Kain (Chair), Simon Brault, Laurent Lapierre.

The Investment Committee

The Committee:

- is responsible for recommending to the Board policies regarding investments;
- has the authority to hire professional fund managers to purchase, manage and dispose of investments;
- instructs the Council to execute and deliver on behalf of the Council transfers, proxies, voting certificates, documents to exercise rights and other agreements dealing with the Council's investments;
- once a year at a regular meeting, makes a report to the Board showing the portfolio of investments at cost and market value, the performance of the funds and any changes or recommendations made since the last report; and
- sees to the deposit and safekeeping of the securities of the Council.

Membership: Karen Kain, Craig Dowhaniuk, Esther S. Ondrack, and the following outside experts (non-Board members): Tania Willumsen (Chair), John H. Matthews, François Colbert, Susan Luke Hill, William J. Smith, Richard Laferrière (mandate ended January 1 2006).

The Audit and Finance Committee

The Committee:

- reviews the financial statements of the Council;
- recommends the annual financial statements to the Board for approval;
- receives reports and reviews recommendations from the Auditor General of Canada and the internal auditors;
- reviews the Council's accounting procedures and internal controls;

- reviews any corrective measures implemented as a result of audits;
- reviews staff proposals concerning the annual budget and makes recommendations to the Board with respect to approval of this budget; and
- carries out any task of a financial nature that is requested by the Board.

Membership: Karen Kain, Simon Brault (Chair), Craig Dowhaniuk, Esther S. Ondrack, Jeannita Thériault.

The Governance Committee

The Committee:

- recommends the substance and form of all governance information submitted to the Board for approval;
- establishes a process for assessing Board capacity and evaluating Board performance;
- provides new Board members with an orientation session;
- ensures that the Council's Governance Policy is kept current with best practices and continues to meet the needs of the Council;
- periodically reviews the corporate by-laws and proposes revisions to the Board;
- reviews the findings of external peer review auditors and reports to the Board; and
- undertakes any other tasks assigned to it by the Board.

Membership: Karen Kain, Simon Brault, David Thauberger (Chair), Laurent Lapierre, Marie Comeau (mandate ended 17 February 2006).

The Nominating Committee

The Committee:

- is responsible for recommending to the Board a list of candidates for filling vacancies for the positions of Board member, Chair and Vice-Chair. Once approved by the Board, a short list is sent by the committee chair to the responsible Minister for consideration; and
- seeks the Board's approval to hire a professional recruitment firm to assist the committee with its search for meritorious candidates.

Membership: Karen Kain, Simon Brault (Chair), Manon Blanchette, Tom Hill, David Thauberger.

The Ad Hoc Celebration 2007 Advisory Committee

The mandate of the Ad Hoc Celebration 2007 Advisory Committee is to provide advice and act as a sounding board for the planning and development of the Council's 50th anniversary. The committee will also monitor the implementation of the anniversary plan, taking into account Board priorities and decisions. The term of the ad hoc committee is December 2005 to December 2007.

Membership: Amir Ali Alibhai, Manon Blanchette (Chair), Laurent Lapierre, Marie Comeau (mandate ended 17 February 2006).

The Ad Hoc Search Committee for the Position of Director of the Canada Council

The mandate of the committee, created in October 2005, was to recommend a candidate to the Board for the position of Director of the Canada Council for the Arts. The Board's recommendation was submitted to the Minister of Canadian Heritage in March 2006.

Membership: Karen Kain (Chair), Simon Brault, Tom Hill, Esther S. Ondrack, Denis Desautels (outside expert).

Other Bodies

Certain Board members also serve on other bodies. David Thauberger serves on the Executive Committee of the Canadian Commission for UNESCO. Jeannita Thériault serves on the Public Lending Right Commission. Tom Hill serves on Kakaekwewin (the Aboriginal Arts Advisory Committee). Amir Ali Alibhai serves on the Advisory Committee for Racial Equality in the Arts.

Attendance Records for Board Meetings and Board Committee Meetings

See opposite page.

Remuneration for Board Directors

Board members are paid an annual retainer and honoraria based on a fee structure recommended by the Government and approved by Order-in-Council. For 2005-06, the total of fees paid to Board members was $142,720.

Executive Management Compensation

The Canada Council's Executive Management Committee includes the Director and four Divisional Directors.

The Council has adopted salary ranges for the Council's Executive Management Committee that reflect those established by the Governor-in-Council for all EX-level positions in the federal public service. For 2005-06, the salary ranges were:

- for the position of Director - $167,700 to $197,300
- for the positions of Divisional Directors - $115,100 to $174,300

In 2005-06, the Executive Management Committee consisted of: John Hobday, Director (mandate ended January 20, 2006); Mark Watters, Secretary-Treasurer and Chief Financial Officer / Interim Director (effective January 21, 2006); André Courchesne, Director, Arts Division; Carol Bream, Acting Director, Public Affairs, Research and Communications; and John Goldsmith, Director, Partnership, Networks and Arts Promotion.

Attendance at Board Meetings and Board Committee Meetings (April 1, 2005 to March 31, 2006)

	Board of Directors	Executive Committee	Investment Committee	Audit & Finance Committee	Governance Committee	Nominating Committee	Celebration '07 Advisory Committee	Search Committee
No. of meetings	8	15	4	5	3	5	5	6
K. Kain, Chair	8	15	0	5	3	5	—	5
S. Brault, Vice-Chair	8	15	—	5	3	5	—	6
A. A. Alibhai *	6/7	—	—	—	—	—	5	—
M. Blanchette *	7/7	—	—	—	—	2/2	5	—
M. Comeau **	6/7	—	—	—	3	—	4/4	—
C. Dowhaniuk	6	—	3	4	—	—	—	—
T. Hill	7	—	—	—	—	5	—	6
L. Lapierre	7	15	—	—	3	—	5	—
E. S. Ondrack *	6/7	—	2/2	2/2	—	—	—	6
D. Thauberger	8	—	—	—	3	5	—	—
J. Thériault	8	—	—	5	—	—	—	—

* Appointed effective May 12, 2005.
** Term expired February 17, 2006.

Attendance at Board Meetings and Board Committee Meetings (April 1, 2005 to March 31, 2006)

	Board of Directors	Executive Committee	Investment Committee	Audit & Finance Committee	Governance Committee	Nominating Committee	Celebration '07 Advisory Committee	Search Committee
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K. Kain, Chair	8	15	0	5	3	5	—	5
S. Brault, Vice-Chair	8	15	—	5	3	5	—	6
A. A. Alibhai *	6/7	—	—	—	—	—	5	—
M. Blanchette *	7/7	—	—	—	—	2/2	5	—
M. Comeau **	6/7	—	—	—	3	—	4/4	—
C. Dowhaniuk	6	—	3	4	—	—	—	—
T. Hill	7	—	—	—	—	5	—	6
L. Lapierre	7	15	—	—	3	—	5	—
E. S. Ondrack *	6/7	—	2/2	2/2	—	—	—	6
D. Thauberger	8	—	—	—	3	5	—	—
J. Thériault	8	—	—	5	—	—	—	—

* Appointed effective May 12, 2005.
** Term expired February 17, 2006.

The Board and Senior Staff of the Canada Council for the Arts

(as of March 31, 2006)

Board

Karen Kain
Ontario – Chair

Simon Brault
Quebec – Vice-Chair

Jeannita Thériault
New Brunswick

David Thauberger
Saskatchewan

Craig Dowhaniuk
Ontario

Laurent Lapierre
Quebec

Tom Hill
Ontario

Manon Blanchette
Quebec

Esther S. Ondrack
Alberta

Amir Ali Alibhai
British Columbia

Marie P. Comeau*
Nova Scotia

Director and Chief Executive Officer

Mark Watters **

* Marie Comeau's mandate expired February 17, 2006.
** Mark Watters became Interim Director on January 21, 2006. He replaced John Hobday, whose three-year term expired on January 20, 2006.

Executive Management Committee

Mark Watters, Interim Director, Secretary-Treasurer and Chief Financial Officer

Carol Bream, Acting Director, Public Affairs, Research and Communications Division

André Courchesne, Director, Arts Division

John Goldsmith, Director, Partnership, Networks and Arts Promotion

Office of the Secretary-Treasurer and Chief Financial Officer, Administration Division

Mark Watters, Secretary-Treasurer and Chief Financial Officer

Michelle Chawla, Assistant Corporate Secretary

Victoria Henry, Director, Art Bank

David Schimpky, Executive Secretary, Public Lending Right Commission

David A. Walden, Secretary-General, Canadian Commission for UNESCO

Administration Division

Luc Charlebois, Head, Financial Planning

Daniel Plouffe, Head, Information Management Systems

Manon Dugal, Head, Human Resources

William Stevenson, Head, Finance and Administrative Services

Arts Division

André Courchesne, Director

Roger Gaudet, Head, Theatre

Mandy Heggtveit, Acting Head, Arts Services Unit

Russell Kelley, Head, Music

François Lachapelle, Head, Visual Arts

David Poole, Head, Media Arts

Melanie Rutledge, Head, Writing and Publishing

Anne Valois, Head, Dance

Sandra Bender, Coordinator, Audience and Market Development Office

Melinda Mollineaux, Coordinator, Equity Office

Louise Profeit-LeBlanc, Coordinator, Aboriginal Arts Secretariat

Claude Schryer, Coordinator, Inter-Arts Office

Public Affairs, Research and Communications Division

Carol Bream, Acting Director

Donna Balkan, Senior Communications Manager, Media and Public Relations Unit

Kim Lymburner, Manager, Business Management Unit

Claire McCaughey, Manager, Research Unit

Terry O'Grady, Manager, Design, Writing and Publications Unit

Janet Riedel Pigott, Acting Director, Endowments and Prizes

Partnership, Networks and Arts Promotion Division

John Goldsmith, Director

Kelly Wilhelm, Coordinator, Partnership and Networks

Board Biographies

Karen Kain

Karen Kain is an internationally-renowned ballerina. Born in Hamilton, she studied at the National Ballet School, joining the National Ballet of Canada in 1969. She was promoted to Principal Dancer in 1971. Her silver medal at the International Ballet Competition in Moscow in 1973 helped launch an extraordinary career which saw her dance many of ballet's greatest roles with some of the world's finest ballet companies. She was Artistic Associate with the National Ballet (2001-05), becoming Artistic Director in 2005. A Companion of the Order of Canada, she received the international Cartier Lifetime Achievement Award and the Governor General's Performing Arts Award; she is an Officer of France's Order of Arts and Letters. She holds honorary degrees from Toronto, York, McMaster and Trent universities. She was appointed Chair on September 14, 2004.

Simon Brault

Simon Brault has been Director General of the National Theatre School of Canada since 1997. Closely associated with the Forum d'action des milieux culturels de la Métropole, he initiated *Les journées de la culture*, a province-wide undertaking first held in 1997 to promote access to arts and culture. At the Montreal Summit of 2002, he led a delegation from the cultural community that promoted the role played by the arts and culture in city development. He is a founding member of Culture Montréal and has been its Chair since it began in 2002. An Officer of the Order of Canada, he was named Vice-Chair of the Council on March 31, 2004.

Jeannita Thériault

Jeannita Thériault has more than 20 years' experience in media relations and communications. A graduate of the University of Moncton, she was a communications officer for ministries at the provincial (Agriculture and Rural Development; Education and Training; Health and Community Services) and federal (Employment and Immigration) levels. In Moncton, she was a reporter for *Le Matin*, news director for CHLR radio, and announcer / researcher for Radio-Canada. She has been a singer, actress, scriptwriter and artistic director of a children's theatre group; she has won prizes for her poetry and for a play, *Bonsoir Mélas*. She became a member of the board on August 22, 2000.

David Thauberger

David Thauberger is a visual artist. He studied at the University of Saskatchewan, California State University and the University of Montana. He organized Grassroots Saskatchewan, the first major exhibition of Saskatchewan folk art, for the Mackenzie Art Gallery. He also worked as visual arts assistant and as visual arts consultant at the Saskatchewan Arts Board and served on the board of the Mackenzie Art Gallery. His work has been exhibited widely and he is represented in many Canadian collections (Glenbow Museum, Mendel Art Gallery, Winnipeg Art Gallery, Art Gallery of Ontario, Art Gallery of Nova Scotia and National Gallery of Canada). He became a member of the board on February 26, 2002.

Craig Dowhaniuk

Craig Dowhaniuk is Executive Director of the Morgan Firestone Foundation, a charitable foundation. He has been a Trustee of the Hamilton-Wentworth Separate School Board, a board member of the Hamilton-Wentworth Junior Achievement and the McMaster Medical Fund; he is a member of the Capital Campaign Committees for the Juravinski Regional Cancer Clinic and St. Joseph's Hospital in Hamilton. He is also on the Advisory Board for Atrium Villa and a member of the Council of Governors of the Art Gallery of Hamilton. He has been involved in many community fundraising activities. He became a member of the board on May 7, 2002.

Laurent Lapierre

Laurent Lapierre (B.A., B.Ed., B.Hist, MBA, PhD) is a tenured professor; he holds the Pierre Péladeau Chair in Leadership at HEC Montreal. He was the first Director-General of the Société artistique de l'Université Laval and the first Administrative Director of Théâtre du Trident. He is the author of several books, including the three-volume Imaginaire et Leadership. He has received several awards, including the Teaching Award (HEC), the 3M Recognition in Education Award (Society for Teaching and Learning in Higher Education) and the Prix d'excellence in management studies for Quebec (National Post / PricewaterhouseCoopers). He hosts the program Leaders on the Argent web network. He was named to the board November 5, 2004.

Tom Hill

Tom Hill was museum director at the Woodland Cultural Centre near Brantford, Ont. He has been a curator, writer, art historian, volunteer and artist. A Konadaha Seneca, Hill studied at the Ontario College of Art and has a certificate in museums studies from the Ontario Museums Association. From his work at the Indians of Canada Pavilion at Expo '67, he went on to become the first Aboriginal art curator in Canada. He has lectured and written widely. He received a Governor General's Award in Visual and Media Arts in 2004 and has an honorary doctorate from Wilfrid Laurier University. He was appointed to the board November 25, 2004.

Amir Ali Alibhai

Amir Ali Alibhai is a visual artist, independent curator and writer, who has been arts programmer at the Roundhouse Community Centre in Vancouver since 1997. Before that, he worked for several years as an educator and guest curator at the Richmond Art Gallery and was Assistant Curator at the Surrey Art Gallery from 1995 to 1997. Amir Ali Alibhai earned a bachelor's degree in fine arts from the University of British Columbia in 1989 and a master's degree in curriculum studies (on cross-cultural collaboration) in 2000. He was appointed to the board May 12, 2005.

Manon Blanchette

Manon Blanchette is director of client services at the Musée d'art contemporain de Montréal, where she has also worked as curator and director of marketing and communications. She has been senior curator at the Walter Phillips Gallery in Banff, cultural counsellor at the Canadian embassy in Paris as well as director of the Canadian Cultural Centre. She has written on contemporary art, having studied in Paris and at UQAM. She has taught art history and art criticism at the Université de Montréal and the Université de Chicoutimi, and has lectured on art and art management. She was appointed to the board on May 12, 2005.

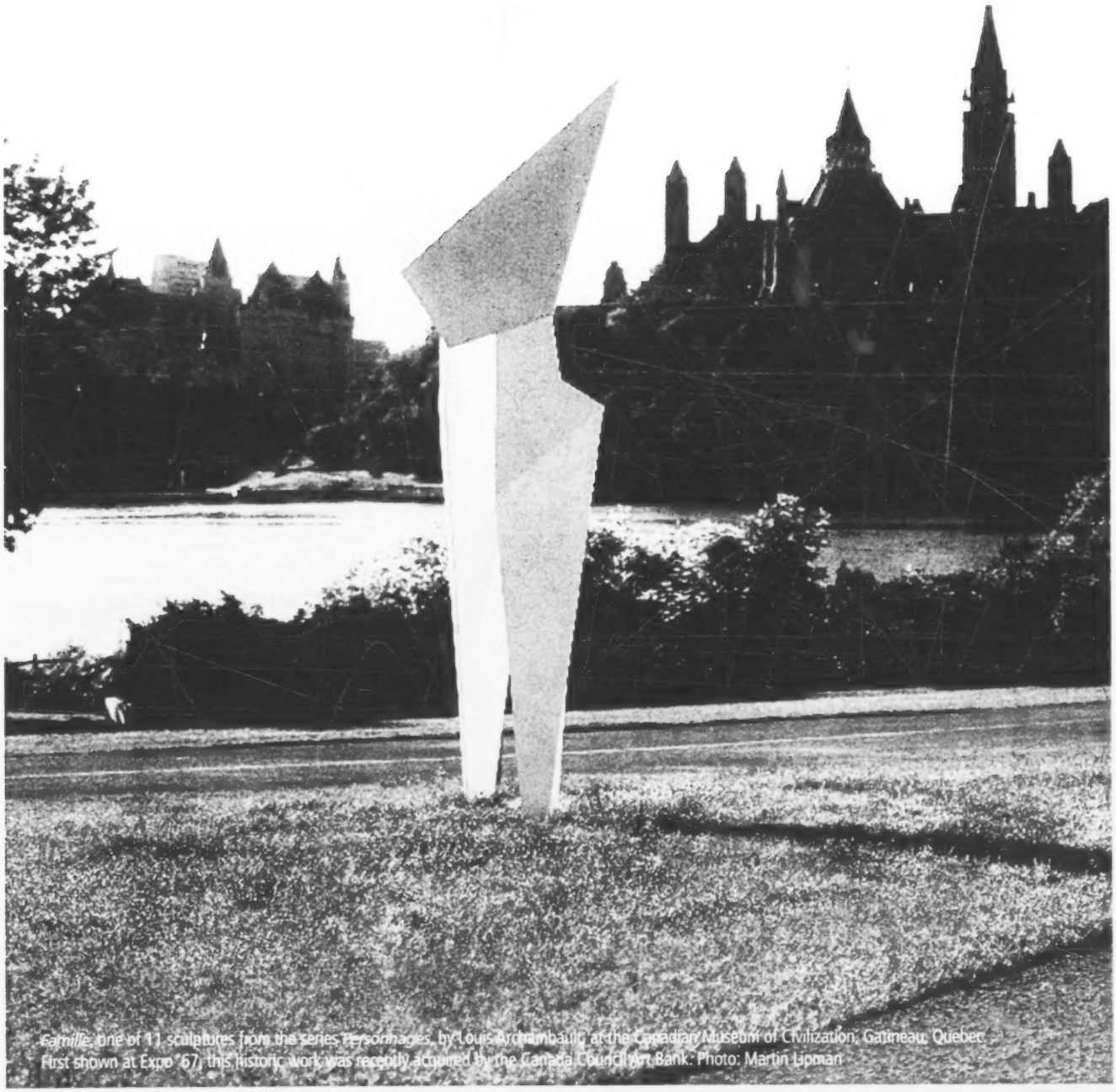
Esther S. Ondrack

Esther Ondrack began her career at Canadian Chieftain Petroleums Ltd. in 1963 upon graduation from the University of Alberta. She was later employed at Chieftain Development Co. Ltd. and Chieftain International, Inc., public companies engaged in oil and gas exploration and production in Alberta and internationally. She is currently associated with Chieftain Financial Ltd., a private investment company. She has served on numerous boards, including those of the Chieftain companies, TELUS, the Enterprise Development Board, the Alberta Performing Arts Stabilization Fund, the Edmonton Arts Council and the Edmonton Symphony Society. She was appointed to the board on May 12, 2005.

Marie P. Comeau

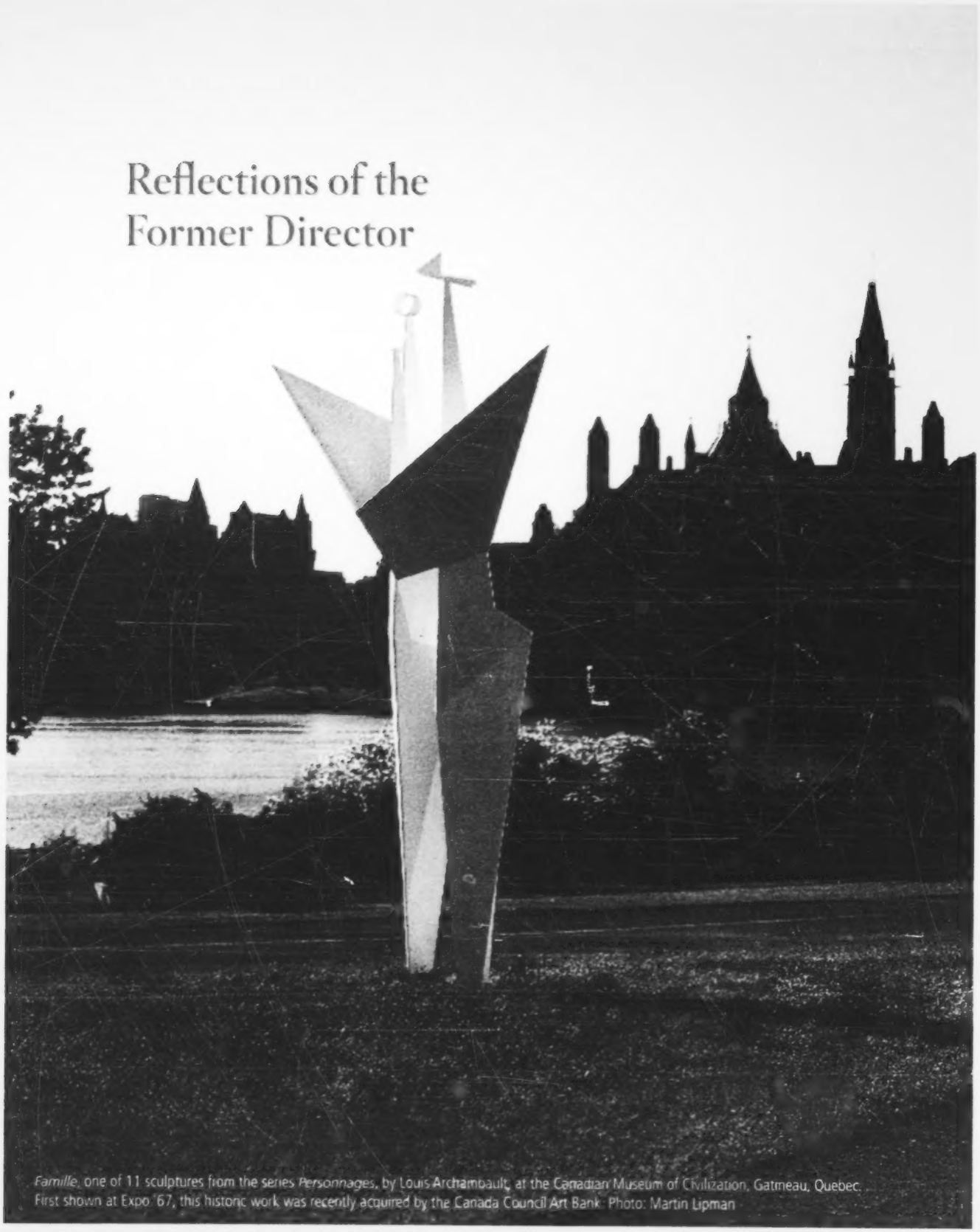
Marie P. Comeau has been with the Nova Scotia Community Services Department since 1997. She was also a radio host, producer and actor, and has played an active role on the boards of many cultural and community organizations. Her current and previous positions include: Chair of the Nova Scotia Film Development Corporation, President of the Acadian Cultural Council of Nova Scotia, Vice-President of the Nova Scotia Artists' Association and Vice-President of the theatre company "Les Araignées du Boui-Boui". She was appointed to the board February 18, 2003.

Reflections of the Former Director



Famille, one of 11 sculptures from the series *Personnages*, by Louis Archambault at the Canadian Museum of Civilization, Gatineau, Quebec. First shown at Expo '67, this historic work was recently acquired by the Canada Council Art Bank. Photo: Martin Lipman

Reflections of the Former Director



Famille, one of 11 sculptures from the series *Personnages*, by Louis Archambault, at the Canadian Museum of Civilization, Gatmeau, Quebec. First shown at Expo '67, this historic work was recently acquired by the Canada Council Art Bank. Photo: Martin Lipman

Creating the Conditions for Success

When the Canada Council was launched nearly fifty years ago, I doubt that anyone could possibly have imagined the impact this institution would have on the cultural vitality of the country. This bold investment in the arts proved to be transformational. It stimulated and at the same time validated the creativity of our artists, who needed nurturing to flourish. Canadian artists in all disciplines now speak to us with compelling voices. Canadian audiences are responding enthusiastically. The arts and culture sector has grown and changed to reflect our increasingly urban and diversified population and is attracting the attention of a dramatically more inter-connected world.

Throughout this time, the Council had to be as creative and resilient as the artists and arts organizations it serves. It has always had to operate in the context of scarce public resources and many competing demands for public investment. It has always had to make a case for the arts. Now, in an era of even greater demand for accountability in the use of public funds, the Council and its provincial and territorial counterparts have once again had to reinforce the case with decision-makers that the arts are not a frill, but make an inestimable contribution to the lives of individuals and the quality of life in Canada.

In facing this challenge, the board and staff responded in a very focussed way — by scanning the horizon, taking stock and planning pragmatically. In a framework document ("The Road Ahead"), we set out a desired future in which "the arts are central to our personal and shared lives as Canadians; are a vibrant source of community and national values and pride; reflect the diversity of Canada; and represent Canada to the world as a dynamic, creative, innovative and cosmopolitan country." An intensive internal program review identified organizational strengths and weaknesses; an internal audit led to on-going improvements to the established and important system of peer adjudication of the 16,000-plus applications the Council receives annually. The cumulative impact of these initiatives laid the groundwork for a new Corporate Plan for 2005 to 2008, which set clear and measurable goals and objectives.

'Sustaining Excellence' became the overarching theme of the Council's work with the arts community, while managerial efficiency, transparency and relevance became the daily watchwords. The four goals – sustaining artistic excellence through stable funding, nurturing creativity through flexible support, making the arts more accessible and connected to communities, and managing growth – underscored the basic premise that artistic excellence can only be sustained if at the same time organizations strive for sound governance, highly skilled and well-trained management and a commitment to fiscal responsibility.

As resource pressures began to mount over the last decade, it also became clear that there needed to be greater collaboration among arts funders — arts councils, the three levels of government, foundations and the corporate sector. The complex arts funding environment called for a better understanding of roles and improved communication on policy and program issues, priorities and trends. While the Council and provincial and territorial arts funders had been meeting informally for several years, the group was formally constituted as the Canadian Public Arts Funders (CPAF) network in October 2005. CPAF has already done solid work in sharing resources and promoting the importance of the arts and education as well as moving forward to create a common data base which will be the key to simplifying the grant application process, particularly as funders move towards the goal of grants-on-line.

Just as we placed greater emphasis on organizational strength in arts organizations, we did likewise in our own house — by instituting professional staff development. Leadership training is now an established part of how Council operates. This and improved internal communications have made the Council a more

integrated and effective organization, better able to serve its constituency.

Taken together, these initiatives created the conditions for a breakthrough in increased support for the Council. However, Canadians who recognize the role and value of the arts to our society have still much more work to do if we are to capitalize effectively on the great potential to be found in the dynamic new artists who are emerging. Canada cannot afford to allow this talent pool to waste away. We must be prepared to make the kind of wise investment which has produced such astonishing results since 1957.

I was honoured to have served as Director of the Canada Council for the Arts, to have been able to share so fully in the work of a truly dedicated staff and to have experienced the leadership and passionate commitment of our Chair, Karen Kain. Looking back, I cherished most of all the collaboration and encouragement I received from so many people all across the country who share with me a belief in the importance of advancing the arts for the benefit of all Canadians.

John Hobday, C.M.

John Hobday was Director of the Canada Council for the Arts from January 2003 to January 2006. In May 2006, the Canada Council created the John Hobday Awards in Arts Management through an endowment from The Samuel and Saidye Bronfman Family Foundation.